As filed with the Securities and Exchange Commission on March 6, 2020

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-15170

GlaxoSmithKline plc
(Exact name of Registrant as specified in its charter)

England
(Jurisdiction of incorporation or organization)

980 Great West Road, Brentford, Middlesex TW8 9GS England
(Address of principal executive offices)

Victoria Whyte
Company Secretary
GlaxoSmithKline plc
980 Great West Road
Brentford, TW8 9GS
England
+44 20 8047 5000
company.secretary@gsk.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
American Depositary Shares, each representing 2 Ordinary Shares, Par value 25 pence	GSK	New York Stock Exchange
3.125% Notes due 2021	GSK/21	New York Stock Exchange
Floating Rate Notes due 2021	GSK/21A	New York Stock Exchange
2.850% Notes due 2022	GSK/22	New York Stock Exchange
2.8750% Notes due 2022	GSK/22A	New York Stock Exchange
2.800% Notes due 2023	GSK/23	New York Stock Exchange
3.375% Notes due 2023	GSK/23A	New York Stock Exchange
3.000% Notes due 2024	GSK/24	New York Stock Exchange
3.625% Notes due 2025	GSK/25	New York Stock Exchange
3.875% Notes due 2028	GSK/28	New York Stock Exchange
3.375% Notes due 2029	GSK/29	New York Stock Exchange
6.375% Notes due 2038	GSK/38	New York Stock Exchange
4.200% Notes due 2043	GSK/43	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of Par value 25 pence each	**5,383,102,231**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13 (a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

TABLE OF CONTENTS

Pursuant to Rule 12b-23(a) of the Securities Exchange Act of 1934, as amended, the information for GlaxoSmithKline plc's Form 20- F for the year ended December 31, 2019 as set out below is being incorporated by reference from the "GSK Annual Report 2019" included as exhibit 15.3 to this Form 20-F dated and submitted on March 6, 2020 (the "GSK Annual Report 2019").

All references in this Form 20-F to "GlaxoSmithKline," the "Group," "GSK," "we" or "our" mean GlaxoSmithKline plc and its subsidiaries; the "company" means GlaxoSmithKline plc.

References below to major headings include all information under such major headings, including subheadings, unless such reference is a reference to a subheading, in which case such reference includes only the information contained under such subheading.

In addition to the information set out below, the information set forth under the headings "Cautionary statement" and "Assumptions related to 2016-2020 outlook" on the inside back cover, "The Directors' Report" on page 114, "Directors' statement of responsibilities" on pages 152 to 153, "Share capital and control" on pages 288 to 289, "Financial calendar 2020", "Results announcements", "Financial reports" and "Annual General Meeting 2020" on page 291, "Registrar" on page 294, "ADS Depositary", "Glaxo Wellcome and SmithKline Beecham Corporate PEPs", "Donating shares to Save the Children", "Contacts" and "Share scam alert" on page 295, "Section 13(r) of the US Securities Exchange Act" on page 297 and "Glossary of terms" on page 311 in each case of the GSK Annual Report 2019 is incorporated by reference.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from certain portions of the GSK Annual Report 2019 incorporated by reference herein, namely "The Directors' Report" (for which see page 114 thereof), the "Strategic Report" (pages 1 to 74 thereof, portions of which are incorporated by reference as described below) and the "Remuneration Report" (pages 115 to 150 portions of which are incorporated by reference as described below). These reports have been drawn up and presented in accordance with, and in reliance upon, English company law. Under English law, the Directors would be liable to the company, but not to any third party, if these sections of the GSK Annual Report 2019 contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Portions of the GSK Annual Report 2019 incorporated by reference herein contain references to our website. Information on our website or any other website referenced in the GSK Annual Report 2019 is not incorporated into this Form 20-F and should not be considered to be part of this Form 20-F. We have included any references to the website as an inactive textual reference only.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A Selected financial data

The information set forth under the heading:

- "Five year record" on pages 263 to 265 (excluding the heading and the information under the heading "Financial results – Adjusted" on page 264 and the columns titled "2017 (revised)", "2016 (revised)" and "2015 (revised)" in the table "Pharmaceuticals turnover" on page 263); and
- "Dividends" on page 290

of the GSK Annual Report 2019 is incorporated herein by reference.

3.B Capitalization and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D **Risk Factors**

Principal risks and uncertainties

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. They are the risks that we believe could cause our actual results to differ materially from expected and historical results.

During 2019, we continued to embed changes to our risk management and reporting cycle to help us identify, manage and report our most important risks across the organisation in a more consistent and proportionate way. We completed Enterprise Risk Plans for all of our most important risks and ensured businesses adopted them and only adapted them with approval. We deployed confirmation across the organisation, reinforcing leader accountability for risk management, and measured how well the controls set out in the Enterprise Risk Plans had been implemented and gaps closed. We further evolved our risk management process by introducing new reports to the Board with more focus on data and key risk indicators, leading to better informed discussions on risk exposure and action needed. We introduced a new approach to the annual risk review to support CET decisions on any changes required to our most important risks.

We are required to comply with a broad range of laws and regulations which apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccines and Consumer Healthcare products.

These affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully on an uninterrupted basis.

As rules and regulations change, government interpretation evolves, and our business activities change, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable laws and regulations could materially and adversely affect our financial results.

Similarly, our global business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties in our significant unresolved disputes and potential litigation is set out in “Note 46 – Legal proceedings” on pages 247 to 251 of the GSK Annual Report 2019.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report human safety information (HSI), including adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The risk impact has the potential to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/ benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/ analyses, as appropriate. Additionally, this risk could potentially negatively impact our ability to incorporate verified safety signals into local (country) labelling. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace.

Questions about the safety of our products may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third parties that may analyse publicly available clinical trial results. Constant vigilance and flexibility are required in order to respond to a varied regulatory environment which continues to evolve and diverge globally. Externally, developments in data interrogation present potential benefits for patient safety but the volume of data to be analysed presents a significant challenge which intensifies when coupled with fragmented regulatory requirements and privacy concerns. In the economic arena, mergers and acquisition activities introduce data integrity risks. Technology presents a significant opportunity for patient safety risk management by creating more reliable data interrogation tools and more accurate data collection mechanisms, even though the pace of Artificial Intelligence development has not been as great as once expected. Cyberattacks are an ever-growing concern given the volume of data and digital dependency.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who take our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group's financial results.

Product quality

Risk definition

Failure by GSK, its contractors or suppliers to ensure:

- Appropriate controls and governance of quality in product development
- Compliance with good manufacturing practice or good distribution practice regulations in commercial or clinical trials manufacture and distribution activities
- Compliance with the terms of GSK product licences and supporting regulatory activities

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety, delays in launching products, drug shortages, product recalls, as well as regulatory, legal, and financial consequences, which could materially and adversely affect GSK's reputation and financial results.

Context

The external environment for product quality continues to be challenging. The single biggest change since 2018 is the political instability and uncertainty surrounding the delivery of Brexit and the implications for medicine supply continuity both into and out of mainland Europe. Two new sets of requirements are due to be implemented by EMA shortly and we are preparing for both. In the first quarter of 2020, there will be new reporting requirements on potential drug shortages and from May 2020 there are new regulations covering the licensing of medical devices.

Technological developments are increasingly used to both enhance manufacture and to support the inclusion of packaging features that help secure the legitimate supply chain e.g. serialisation. The threat of cyberattacks remains a key risk to the integrity of product quality data and its audit trail.

Significant changes are taking place in GSK as we implement the new organisational alignments and IPTc strategy. These changes are assessed by the Quality organisations to ensure our quality procedures and governance can facilitate the strategy whilst also ensuring that no unintended consequences increase our product quality risk.

Financial controls and reporting

Risk definition

Failure to comply with current tax laws or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. In the current period of significant political uncertainty especially in the USA and UK, there can be significant changes at short notice. Failure to comply with any changes in the substance or application of the governing laws covering transfer pricing, dividends, tax credits, and intellectual property could materially and adversely affect our financial results.

Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this can lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, daily. These transactions involve market volatility and counterparty risk.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and considers regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate. In addition, the worldwide nature of our operations means that our intellectual property, R&D and manufacturing operations are centered in several key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end markets, can be complex and result in conflicting claims from tax authorities as to the profits to be taxed in individual countries. Tax legislation itself is also complex and differs across the countries in which we operate. As such, tax risk can also arise due to differences in the interpretation of such legislation. The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities.

We expect there to be continued focus on tax reform driven by initiatives of the Organisation for Economic Cooperation & Development to address the taxation of the digital economy and European Commission initiatives including the use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principles and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation and relationship with key stakeholders.

Anti-bribery and corruption (ABAC)

Risk definition

The ABAC risk comprises five sub-risk areas:

- Bribery of public officials by GSK
- Bribery of commercial and other non-public entities by GSK
- Bribery by third parties acting on behalf of GSK
- GSK employees receiving and/or requesting bribes and/or other undue personal benefit
- Other corruption-non-compliance with laws and regulations related to money laundering or facilitation of tax evasion by third parties/clients/partners.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action, and civil and criminal liability and may compromise the Group's ability to supply its products under certain government contracts. In addition to legal and financial penalties, a failure to prevent bribery through complying with ABAC legislation and regulations could have substantial implications for the reputation of the company, the credibility of senior leaders, and an erosion of investor confidence in our governance and risk management.

Context

The macro risk level remains unchanged as we continue to see legal frameworks similar to the UK and US develop in emerging economies; high standards are expected of individuals and corporations aided by improved technology and increased enforcement.

The overall environment for ABAC in 2019 remained challenging. Divergence of legislation is making compliance harder and countries are increasingly holding individuals accountable as well as corporations, increasing the employer duty of care. Society is holding corporations to ever higher standards with technology providing a speedy and anonymous avenue for dissemination of previously privileged information or even damaging false reports. Enforcement actions and penalties have increased across the globe with focus on use of third-party intermediaries. Supportive aspects of new policies include Latin America moving towards compliance regimes like those established by the US and UK. In India there was an amendment of the Corruption Act (2018) which explicitly makes an offence to pay a bribe. China has introduced significant anti-bribery and anti-corruption/legislative and regulatory reforms.

The GSK exposure remains unchanged.

Commercial practices

Risk definition

Failure to engage in commercial activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements relating to marketing and communications about our medicines and associated therapeutic areas; appropriate interactions with healthcare professionals (HCPs) and patients; and legitimate and transparent transfer of value.

Risk impact

Failure to manage risks related to commercial practices could materially and adversely affect our ability to deliver our strategy and long-term priorities. Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs which could result in government sanctions, and criminal and/or financial penalties. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the risk/benefit profile of our products and possibly suboptimal treatment of patients and consumers. Any practices that are found to be misaligned with our values could also result in reputational harm and dilute trust established with external stakeholders.

Context

We continue to evolve our business operations (including acquisitions and joint ventures) to operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products that reflect insights which help ensure those products address the needs of patients/consumers, HCPs, and payers are critical to achieve our strategic objectives.

As other pharmaceutical, vaccine and consumer companies, we face downward price pressure in major markets, declining emerging market growth, rapidly evolving digital landscape, and negative foreign exchange impact.

Developing new Pharmaceutical, Vaccine and Consumer Healthcare products is a costly, lengthy and an uncertain process. A product candidate may fail at any stage, including after significant economic and human resources have been invested. Our competitors' products or pricing strategies, or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our purpose to improve the quality of human life by enabling people to do more, feel better, and live longer. To accomplish this purpose, we engage the healthcare community in various ways to provide important information about our medicines.

Promotion of approved products seeks to ensure that HCPs globally have access to information they need, that patients and consumers have access to the information and products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal and ethical manner.

Privacy

Risk definition

The failure to collect, secure, use and destroy personal information (PI) in accordance with data privacy laws can lead to harm to individuals and GSK, including fines and operational, financial and reputational risk.

Risk impact

Non-compliance can lead to harm to individuals and GSK. It can also damage trust between GSK and individuals, communities, business partners and government authorities.

The General Data Protection Regulation (GDPR), with other privacy legislation following suit, increased the enforcement powers of supervisory authorities, including the ability to impose fines and to suspend processing of PI. GDPR and other privacy laws also give individuals the right to bring collective legal actions against GSK for failure to comply with data privacy laws.

Context

Data privacy legislation is diverse with limited harmonisation or simplification, despite Europe's adoption of GDPR. It is challenging for multi-nationals to standardise their approach to compliance with data privacy laws due to the high-level of local variation. Governments are enforcing compliance with data privacy laws more rigorously. The focus on the ethical use of PI is growing, over and above compliance with data privacy laws, due to an increase in data volume processed and advancements in technology. Individuals are more aware of their rights under data privacy laws.

Research practices

Risk definition

Research practices risk is the failure to adequately conduct ethical and sound pre-clinical and clinical research. In addition, it is the failure to engage in scientific activities that are consistent with the letter and spirit of the law and industry, or the Group's requirements. It comprises the following sub-risks: Non-clinical & laboratory research; Human subject research; Data integrity; Care, welfare and treatment of animals; Human biological samples management; Data disclosure; Regulatory filings and engagement; Scientific engagement; and Intellectual property.

Risk impact

The impacts of the risk include harm to human subjects, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), loss of revenue due to inadequate patent protection or inability to supply GSK products, and regulatory action such as fines, penalties, or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results and cause loss of trust from our customers and patients.

Context

Research relating to animals can raise ethical concerns however, in many cases, research in animals is the only method that can be used to investigate the effects of a potential new medicine in a living body other than in humans. Animal research provides critical information about the causes and mechanisms of diseases and therefore remains a vital part of our research. We continually seek ways in which we can minimise our use of animals in research whilst complying with regulatory requirements and reduce the impact on the animals used.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety, or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products. GSK is committed to ensuring that human biological samples are managed in accordance with relevant laws, regulations and ethical principles, in a manner that respects the interests of the sample donors.

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting, storage and retrieval. Our research data is governed by legislation and regulatory requirements. Research data and supporting documents are core components at various stages of pipeline progression decision-making and form the content of regulatory submissions, publications and patent filings. Poor data integrity can compromise our research efforts and negatively impact company reputation.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Continually changing and increasingly stringent submission requirements continue to increase the complexity of worldwide product registration. The continued supply of GSK medicines to patients is dependent on the ongoing compliance and maintenance of these licenses across many geographies whose requirements and timelines differ. The secure management of the high volume of lifecycle changes to these licenses and their renewal is critical to enable compliant supply. Failure to maintain licenses will directly impact patients and company revenue.

Scientific engagement, defined as the interaction and exchange of information between GSK and external communities to advance scientific and medical understanding, including the appropriate development and use of our products, is an essential part of scientific discourse. Such non-promotional engagement with external stakeholder groups is vital to GSK's purpose and necessary for scientific and medical advance. Scientific engagement activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments to HCPs have, or are perceived to have, promotional intent.

A wide variety of biological materials are used by GSK in discovery, research and development phases. Through the Convention on Biological Diversity (CBD) and the Nagoya Protocol, the international community has established a global framework regulating access to, and use of, genetic resources of non-human origin in R&D.

We support the principles of access and benefit sharing to genetic resources as outlined in the CBD and the Nagoya Protocol, recognising the importance of appropriate, effective and proportionate implementation measures at national and regional levels.

Patent rights are awarded to protect innovation and play an important role in providing GSK with a competitive advantage in the market for a limited period of time. Any loss of patent protection in a market for GSK's products developed through our R&D, including reducing the term, availability or scope of patent rights, could materially and adversely affect our financial results in that market. Absence of adequate patent or data exclusivity protection, which could lead to, for example, competition from manufacturers of generic or biosimilar pharmaceutical products, could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely impact our financial results.

Following expiration of certain intellectual property rights, a generic or biosimilar manufacturer may lawfully produce a generic version of a product. Introduction of generic products typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

Third party oversight (TPO)

Risk definition

There is a risk that our third parties fail to meet their contractual, regulatory or ethical obligations resulting in significant operational, reputational, legal and financial risk for GSK (and in some cases our employees directly).

Put simply, there is a risk that third parties fail to deliver the goods and services we expect or fail to deliver them in a legal and compliant way.

Risk impact

Failure to adequately manage third party relationships could result in business disruption and exposure to risks ranging from sub-optimal contractual terms and conditions, to severe business and legal sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

Third parties are critical to our business delivery and are an integral part of the solution to meeting our business objectives. We rely on third parties, including suppliers, advisors, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and for supporting other important business processes.

These business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business activities. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties across a diverse geographical spread.

Environment, health and safety & sustainability (EHS&S)

Risk definition

Failure in management of:

- execution of hazardous activities;
- GSK's physical assets and infrastructure;
- handling and processing of hazardous chemicals and biological agents;
- control of releases of substances harmful to the environment in both the short and long term; leading to incidents which could disrupt our R&D and Supply activities, harm employees, harm the communities we operate in and harm the environment and its longer-term sustainability.

Risk impact

Failure to manage EHS&S risks could lead to significant harm to people, the environment and communities in which we operate, fines, failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation, which could materially and adversely affect our financial results.

Context

GSK is subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment, and the communities in which we operate, as well as potential obligations to remediate contaminated sites. Overall, our control framework for managing EHS&S risk is effective and our frequency of serious events is similar to peers and lower than for high hazard industries e.g. petrochemicals.

Information security

Risk definition

The risk that unauthorised disclosure, theft, unavailability or corruption of GSK's information or key information systems may lead to harm to our patients, workforce and customers, disruption to our business and/or loss of commercial or strategic advantage, damage to our reputation or regulatory sanction.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage and could materially affect our ongoing business operations, such as scientific research, clinical trials and manufacturing and supply chain activities.

Further, inadequately applying controls that would be expected of GSK may result in regulatory fines or present a reputational risk to the organisation.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, intellectual property, manufacturing systems and trade secrets. There is the potential that our computer systems or information may be exposed to misuse or unauthorised disclosure.

GSK operates a highly 'connected' information network that exposes our confidential research and development, manufacturing, commercial, workforce and financial data to the risk of external attacks. GSK's Digital and Data Analytics Strategy also substantially increases the businesses dependency on digital assets and distributed data, while increasing the number of assets potentially impacted by a cyberattack. As threats evolve, we cannot provide broad assurances that the significant efforts we deliver in the protection and monitoring of our systems and information will always be successful in preventing compromise or disruption. Cybersecurity losses increasingly involve highly-resourced and organised threat actors such as nation-states and online criminal collectives targeting GSK's large and complex information technology (IT) and operational technology (OT) footprint, as well as the systems of our supply chain partners (including outsourced operations).

This means that our systems and information have been and will continue to be the target of cyberattacks. Additionally, extensive use of third parties to store and process our data increases GSK's reliance on suppliers to operate effectively. This dependence increases the complexity around security controls and practices. It also reduces GSK's ability to monitor controls and effectively investigate and respond to incidents involving GSK information or systems. While GSK stands at the ready to address cybersecurity incidents and risks as they occur, in the past year GSK has not experienced a material cybersecurity incident that would have resulted in substantial harm to GSK (e.g., injury to reputation, financial performance, and customer and vendor relationships).

Supply continuity

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to respond effectively to a crisis incident in a timely manner to recover and sustain critical operations.

Risk impact

We recognise that failure to supply our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action and financial penalties that could adversely affect the Group's financial results. The Group's international operations, and those of its partners, expose our workforce, facilities, operations and information technology to potential disruption from natural events (e.g. storm, earthquake), man-made events (e.g. trading barriers imposed at short notice, civil/political unrest, terrorism), and global emergencies (e.g. coronavirus outbreak, Ebola outbreak, flu pandemic). It is important that we have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively provide our license to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

We rely on materials and services provided by third party suppliers to make our products, including active pharmaceutical ingredients, antigens, intermediates, commodities, and components for the development, manufacture and packaging of Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third-party services procured, such as services provided by contract manufacturing and clinical research organisations to support development of key products, are important to ensure continuous operation of our business.

Although we undertake risk mitigation, we recognise that certain events could nevertheless still result in delays or service interruptions. We use effective crisis management and business continuity planning to provide for the health and safety of our people and to minimise impact to us, by maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on GSK's trading performance and supply continuity remains uncertain.

Up to the date of this annual report on Form 20-F, the outbreak has not had a material impact on the trading results of the Group. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees.

The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Group.

Risks associated with the Consumer Healthcare Joint Venture with Pfizer

The legal completion of the transfer of certain assets or entities to the GSK consumer healthcare business in certain jurisdictions is subject to the satisfaction of regulatory approvals or other requirements agreed between the parties (including the passage of time to allow for additional integration preparation), which if not satisfied may result in the further delay of legal completion of such transfers in these jurisdictions

The acquisition of Pfizer's consumer healthcare business to form the Consumer Healthcare Joint Venture (the "Transaction") was completed on July 31, 2019. In a number of jurisdictions (the "Delayed Jurisdictions"), the transfer of certain assets or entities to the GSK consumer healthcare business is subject to the satisfaction of regulatory approvals (including antitrust clearances or satisfaction of related commitments) or other requirements agreed between the parties (including the passage of time to allow for additional integration preparation). In the event that such requirements are not satisfied in any of the Delayed Jurisdictions, the legal completion of the transfer of certain assets or entities in such jurisdictions may be further delayed, which could reduce the anticipated benefits of the Transaction (or result in additional difficulty in the integration of the business in such jurisdiction), including the realization of anticipated synergies, and could have an adverse impact on the results and operations of the GSK Group following the acquisition of the Pfizer consumer healthcare business (the "Enlarged Group").

The Enlarged Group may experience difficulties in integrating the Pfizer consumer healthcare business with the GSK consumer healthcare business

The future prospects of the Enlarged Group will, in part, be dependent upon the Enlarged Group's ability to integrate the Pfizer consumer healthcare business with the existing GSK consumer healthcare business, and the ability of the Enlarged Group to realize the anticipated benefits and cost savings from combining the respective businesses.

The key potential difficulties in integrating the businesses include the following:

- the complexity of transferring employees and assets (including intellectual property, third party contracts, real estate and marketing authorizations and other licenses/permits) and consolidating operations, infrastructure, procedures, systems, facilities, services and policies across many different countries, jurisdictions, regulatory systems and business cultures;
- maintaining employee engagement and retaining and incentivizing key employees;
- the diversion of management time and resources away from the day-to-day operations of the Enlarged Group;
- limiting disruption to the ongoing businesses of the Enlarged Group, including minimizing the risk of supply chain interruptions and ensuring that necessary transitional arrangements between Pfizer and the Enlarged Group function successfully;
- replacing and/or integrating IT systems used by the Pfizer consumer healthcare business with those used by the GSK consumer healthcare business and transferring relevant data from Pfizer IT systems to GSK IT systems;
- technical transfer of manufacturing and other processes and services, upon expiry of transitional manufacturing and services arrangements and/or in-sourcing of third party supply contracts;
- the delay of legal completion of the Transaction in the Delayed Jurisdictions; and
- maintaining business continuity throughout integration.

Difficulties experienced in the integration process could potentially lead to the interruption of operations of the businesses, or a loss of customers, suppliers or key personnel, which could have a material adverse effect on the business, results of operations or financial condition of the Enlarged Group.

Transaction-related costs may exceed GSK's expectations

GSK has incurred and expects to incur additional costs in relation to the Transaction, including integration and post-completion costs in order to implement the Transaction successfully and deliver anticipated costs savings. The actual costs may exceed those estimated and there may be additional and unforeseen expenses incurred in connection with the Transaction. In addition, GSK has incurred and will incur legal, accounting and transaction fees and other costs relating to the Transaction. Such costs could materially and adversely affect the realization of synergies and the results of operations of the Group or the Enlarged Group.

The Enlarged Group may fail to realize, or it may take longer than expected to realize, the anticipated benefits of the consumer healthcare joint venture

The expected benefits of the consumer healthcare joint venture with Pfizer, including any identified synergies, may not be achieved, or may take longer than expected to realize, and other assumptions upon which the terms of the transaction with Pfizer to form the consumer healthcare joint venture have been determined may prove to be incorrect. To the extent that GSK incurs higher integration costs, achieves lower margin benefits or fewer cost savings than expected, the results of operations and financial condition of the Enlarged Group may suffer, which may materially and adversely affect GSK's share price.

The Stock and Asset Purchase Agreement with Pfizer contains certain representations, warranties and indemnities, which could require GSK or GlaxoSmithKline Consumer Healthcare Holdings (No. 2) Limited ("GSK Consumer Healthcare") to make payments to Pfizer

The Stock and Asset Purchase Agreement with Pfizer in relation to the Transaction contains certain representations, warranties and indemnities given by GSK and GSK Consumer Healthcare in favor of Pfizer. Any payment required under those representations, warranties and indemnities may have a material and adverse effect on the cash flow and financial condition of the Enlarged Group.

The consumer healthcare joint venture with Pfizer and the Enlarged Group may not have full recourse to Pfizer under the Stock and Asset Purchase Agreement

Under the terms of the Stock and Asset Purchase Agreement, Pfizer provides GSK Consumer Healthcare and GSK with certain representations, warranties and indemnities. However, these representations, warranties and indemnities may not cover all potential liabilities associated with the Pfizer consumer healthcare business, and they are in certain circumstances limited in their scope, duration and/or the amount which may be claimed under them. Accordingly, GSK Consumer Healthcare and GSK may not have recourse against Pfizer, or may not recover in full from Pfizer, for losses which it may suffer in respect of a breach of those warranties, or in respect of the subject matter of any of the indemnities, or otherwise in respect of the consumer healthcare joint venture. This could materially and adversely affect the operations and financial results of the consumer healthcare joint venture and the Enlarged Group.

The successful completion of a separation of the consumer healthcare joint venture initiated by GSK may be dependent on a number of factors that are outside GSK's control, including favorable conditions in public equity markets and public or private debt markets and changes in applicable law and regulation

GSK's ability to exit the consumer healthcare joint venture through a listing and admission to trading of shares of GSK Consumer Healthcare on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange (the "Separation") initiated by GSK may be dependent on a number of factors such as (i) the condition of public or private debt markets being such that the consumer healthcare joint venture is able to raise, on terms acceptable to the Group, sufficient levels of debt finance to undertake a pre-separation recapitalization and distribution of the proceeds to GSK and Pfizer and (ii) the condition of public equity markets being such as to enable a successful sale or demerger of shares in the consumer healthcare joint venture. Conditions in public equity markets and public or private debt markets are not within GSK's control and disruption in those markets may impede GSK's ability to exit the consumer healthcare joint venture at the desired time or in the desired way.

In addition, GSK's ability to implement a successful Separation initiated by GSK, including by way of a demerger of its equity stake and a listing of the consumer healthcare joint venture on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange, may be impeded or prevented by any change of law, regulation or the rules of any authority to which GSK is subject (including, for example, any rules or guidance issued by the U.K. Financial Conduct Authority or H. M. Revenue & Customs) or any change to the way in which applicable law and regulation is interpreted and applied by the relevant authorities. Such changes are outside the control of GSK and there can be no guarantee that GSK's preferred strategy in relation to the Separation will be capable of being implemented.

If GSK is not able to execute a successful Separation, including by undertaking a pre-separation recapitalization of the consumer healthcare joint venture and completing a demerger of its equity stake, at a time and on terms acceptable to it, the Group may not be able to implement its preferred strategy, including in relation to its pharmaceuticals and vaccines business, the reduction of leverage associated with those businesses, and the support for those businesses' ongoing investment requirements (especially the Group's R&D pipeline). This may have a material and adverse effect on the business, financial condition, results and operations of the Enlarged Group.

The expected benefits of a successful completion of a Separation initiated by GSK of the consumer healthcare joint venture from the Group may not be realized and such a Separation may be detrimental to the consumer healthcare joint venture and/or the Group

Following a successful Separation, there can be no guarantee that the expected benefits of such a Separation will be realized. In particular, if such a Separation does proceed, both the consumer healthcare joint venture and the Group (excluding the consumer healthcare business) will form smaller, less diversified groups. As a result, each separate group may be more exposed to cyclical, sector-specific or other risks than the Group and, following completion of the Transaction, the Enlarged Group are currently. In addition, consistent with their smaller sizes, each separate group may not be able to obtain future debt or equity financing or put in place other contractual arrangements on terms as favorable as the Group and, following completion of the Transaction, the Enlarged Group are currently able to achieve. Were any of these risks to be realized following a Separation, this may have a material and adverse effect on the business, financial condition, results and operations of the consumer healthcare joint venture and/or the Group (excluding the consumer healthcare business).

The completion of a Separation initiated by Pfizer, causing the consumer healthcare joint venture to become a listed, publicly traded company, would reduce GSK's control over the consumer healthcare joint venture

Under the terms of the Shareholders' Agreement between GSK and Pfizer in relation to the consumer healthcare joint venture, in the event that GSK has not exercised its exit rights in respect of the consumer healthcare joint venture within five years following completion of the Transaction, Pfizer will be entitled to initiate a Separation from that point in time. While GSK would not be required to sell or demerge any of its shares in the consumer healthcare joint venture as part of such a Separation initiated by Pfizer and could therefore retain its proportionate equity stake, GSK's rights to appoint directors to the board of directors of the joint venture and other control rights would be reduced to a customary level for a company listed on the same exchange as the primary listing of the consumer healthcare joint venture, such that GSK would lose overall control of the board of directors of the consumer healthcare joint venture and its control rights under the Shareholders' Agreement would cease to apply. In that event, GSK may not be able to direct the business and operations of the consumer healthcare joint venture in accordance with the strategy and objectives of the Enlarged Group, which could have a material and adverse effect on the business, financial condition and results of the Enlarged Group.

Item 4. **Information on the Company**

4.A History and development of the company

The information set forth under the heading:

- "About GSK" on the inside back cover;
- "Preparing for the future" on page 2;
- "Head Office and Registered Office" on the outside back cover; and
- "Note 40 – Acquisitions and disposals" on pages 222 to 225

of the GSK Annual Report 2019 is incorporated herein by reference.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov. GSK's Internet address is gsk.com.

4.B Business overview

- See Item 3.D "Risk factors" above.

In addition, the information set forth under the headings:

- "Our business model" on pages 1 and 2;
- "Chairman's statement" on page 3;
- "CEO's statement" on pages 4 and 5;
- "Our long-term priorities" on page 9 (excluding the pro-forma figure in the first bullet point under the sub-heading "2019 progress" under "Performance");
- "Our culture" on page 10;
- "Industry trends" on pages 12 to 14;
- "Stakeholder engagement" on pages 15 and 16;
- "Pharmaceuticals" on pages 17 to 22;
- "Vaccines" on pages 23 to 26;
- "Consumer Healthcare" on pages 27 to 29 (excluding the second sentence in the first paragraph under the sub-heading "Performance" on page 28);
- "Trust" on pages 30 to 42 (excluding the heading and the paragraph under the heading "Our approach to reporting" on page 31);
- "Note 6 – Turnover and segment information" on pages 180 to 183 (excluding the column titled "2017 (revised)" in the table "Pharmaceuticals turnover by therapeutic area" on page 180);
- "Note 40 – Acquisitions and disposals" on pages 222 to 225;
- "Pharmaceutical products, competition and intellectual property" on pages 272 to 273;
- "Vaccines products, competition and intellectual property" on page 273; and
- "Consumer Healthcare products and competition" on page 274

of the GSK Annual Report 2019 is incorporated herein by reference.

4.C Organizational structure

The information set forth under the heading:

- "Note 45 – Principal Group companies" on page 246; and
- "Group companies" on pages 299 to 310

of the GSK Annual Report 2019 is incorporated herein by reference.

4.D Property, plant and equipment

The information set forth under the heading "Property, plant and equipment" under "Financial position and resources" in Item 5.A of this annual report on Form 20-F is incorporated herein by reference.

The information set forth under the headings:

- "Note 6 – Turnover and segment information" on pages 180 to 183 (excluding the column titled "2017 (revised)" in the table "Pharmaceuticals turnover by therapeutic area" on page 180); and
- "Note 17 – Property, plant and equipment" on pages 193 to 194

of the GSK Annual Report 2019 is incorporated herein by reference.

Item 4A. **Unresolved Staff Comments**

Not applicable.

Item 5. **Operating and Financial Review and Prospects**

5.A Operating results

The information set forth under the headings:

- "Regulatory environment" on page 14;
- "Our preparations for Brexit" within "Risk management" on page 48; and
- "Climate-related financial disclosure" within "Risk management" on page 46

of the GSK Annual Report 2019 is incorporated herein by reference.

The following tables reconcile Total results to Adjusted results. References in the GSK Annual Report 2019 to the reconciliations on page 62 and pages 266-268 of that report should be read to refer to the information in these tables.

Adjusted results reconciliation – 31 December 2019

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Gross profit	21,891	713	30	658	383		23,675
Operating profit	6,961	777	83	1,105	345	(299)	8,972
Profit before taxation	6,221	777	83	1,110	345	(300)	8,236
Profit after taxation	5,268	621	66	902	221	(160)	6,918
Earnings per share	93.9p	12.6p	1.3p	18.2p	1.2p	(3.3)p	123.9p
Weighted average number of shares (millions)	4,947						4,947
The following adjustments are made in arriving at Adjusted gross profit							
Cost of sales	(11,863)	713	30	658	383		(10,079)
The following adjustments are made in arriving at Adjusted operating profit							
Selling, general and administration	(11,402)		4	332	104	247	(10,715)
Research and development	(4,568)	64	49	114		2	(4,339)
Other operating income	689			1	(142)	(548)	—
The following adjustments are made in arriving at Adjusted profit before tax							
Net finance costs	(814)			5		(1)	(810)
The following adjustments are made in arriving at Adjusted profit after tax							
Taxation	(953)	(156)	(17)	(208)	(124)	140	(1,318)

Adjusted results reconciliation – 31 December 2018

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Gross profit	20,580	536	69	443	15		21,643
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914
The following adjustments are made in arriving at Adjusted gross profit							
Cost of sales	(10,241)	536	69	443	15		(9,178)
The following adjustments are made in arriving at Adjusted operating profit							
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Other operating income	(1,588)			2	1,864	(278)	—
The following adjustments are made in arriving at Adjusted profit before tax							
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	—
The following adjustments are made in arriving at Adjusted profit after tax							
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)

Adjusted results reconciliation – 31 December 2017

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	US tax reform £m	Adjusted results £m
Gross profit	19,844	546	400	545	80			21,415
Operating profit	4,087	591	688	1,056	1,599	(119)	666	8,568
Profit before taxation	3,525	591	688	1,060	1,599	(205)	666	7,924
Profit after taxation	2,169	457	512	851	980	(456)	1,744	6,257
Earnings per share	31.4p	9.4p	10.5p	17.4p	19.2p	(9.4)p	33.3p	111.8p
Weighted average number of shares (millions)	4,886							4,886
The following adjustments are made in arriving at Adjusted gross profit								
Cost of sales	(10,342)	546	400	545	80			(8,771)
The following adjustments are made in arriving at Adjusted operating profit								
Selling, general and administration	(9,672)			248		83		(9,341)
Research and development	(4,476)	45	288	263		18		(3,862)
Other operating income	(1,965)				1,519	(220)	666	—
The following adjustments are made in arriving at Adjusted profit before tax								
Net finance costs	(669)			4		8		(657)
Profit on disposal of associates	94					(94)		—
The following adjustments are made in arriving at Adjusted profit after tax								
Taxation	(1,356)	(134)	(176)	(209)	(619)	(251)	1,078	(1,667)

Group financial review

Reporting framework

Total and Adjusted results

The Group financial review discusses the operating and financial performance of the Group, its cash flows and financial position and our resources. The results for each year are compared primarily with the results of the preceding year.

Total results

Total reported results represent the Group's overall performance.

GSK also uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined below.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

GSK is committed to continuously improving its financial reporting, in line with evolving regulatory requirements and best practice.

Adjusted results

Adjusted results exclude the following items from Total results, together with the tax effects of all of these items:

- amortisation of intangible assets (excluding computer software)
- impairment of intangible assets (excluding computer software) and goodwill
- Major restructuring costs, which include impairments of tangible assets and computer software, (under specific Board-approved programmes that are structural, of a significant scale and where the costs of individual or related projects exceed £25 million) including integration costs following material acquisitions
- transaction-related accounting or other adjustments related to significant acquisitions
- proceeds and costs of disposals of associates, products and businesses; significant legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations; other operating income other than royalty income, and other items.

Costs for all other ordinary course smaller scale restructuring and legal charges and expenses are retained within both Total and Adjusted results.

As Adjusted results include the benefits of Major restructuring programmes but exclude significant costs (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its Total results. The exclusion of other Adjusting items may result in Adjusted earnings being materially higher or lower than Total earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, Adjusted earnings will be higher than Total earnings.

GSK is undertaking a number of Major restructuring programmes in response to significant changes in the Group's trading environment or overall strategy, or following material acquisitions. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a Major restructuring programme.

The Group has also initiated a two-year Separation Preparation programme to prepare GSK for separation into two new leading companies in biopharma and consumer healthcare.

From time to time, the Group divests non-core investments, products and businesses and records the profit or loss on disposal as an Adjusting item. The most notable divestment in the past five years was the disposal of the Oncology business as one element of the three-part transaction with Novartis in 2015.

Significant legal charges and expenses are those arising from the settlement of litigation or government investigations that are not in the normal course and are materially larger than more regularly occurring individual matters. They also include certain major legacy matters.

Reconciliations between Total and Adjusted results, providing further information on the key Adjusting items for 2018 and 2019 are set out above.

GSK provides earnings guidance to the investor community on the basis of Adjusted results. This is in line with peer companies and expectations of the investor community, supporting easier comparison of the Group's performance with its peers. GSK is not able to give guidance for Total results as it cannot reliably forecast certain material elements of the Total results, particularly the future fair value movements on contingent consideration and put options that can and have given rise to significant adjustments driven by external factors such as currency and other movements in capital markets.

Historical record of Adjusting items

The reconciliations between Total and Adjusted operating profit can be summarised as follows:

	2019 £m	2018 £m	2017 £m
Total operating profit	6,961	5,483	4,087
Intangible asset amortisation	777	580	591
Intangible asset impairment	83	116	688
Major restructuring	1,105	809	1,056
Transaction-related items	345	1,977	1,599
Divestments, significant legal and other items	(299)	(220)	(119)
US tax reform	—	—	666
Adjusted operating profit	8,972	8,745	8,568

The analysis of the impact of transaction-related items on operating profit is as follows:

	2019 £m	2018 £m	2017 £m
Novartis Consumer Healthcare Joint Venture put option	—	658	986
Contingent consideration on former Shionogi-ViiV Healthcare JV (including Shionogi preferential dividends)	31	1,188	556
ViiV Healthcare put options and Pfizer preferential dividends	(234)	(58)	(126)
Contingent consideration on former Novartis Vaccines business	76	58	101
Release of fair value uplift on acquired Pfizer inventory	366	—	—
Other adjustments	106	131	82
Transaction-related items	345	1,977	1,599

Non-controlling interests in ViiV Healthcare

Trading profit allocations

Because ViiV Healthcare is a subsidiary of the Group, 100% of its operating results (turnover, operating profit, profit after tax) are included within the Group income statement and then a portion of the earnings is allocated to the non-controlling interests owned by the other shareholders, in line with their respective equity shareholdings (Pfizer 11.7% and Shionogi 10%). Each of the shareholders, including GSK, is also entitled to preferential dividends determined by the performance of certain products that each shareholder contributed. As the relative performance of these products changes over time, the proportion of the overall earnings of ViiV Healthcare allocated to each shareholder will change. In particular, the increasing proportion of sales of dolutegravir-containing products has a favourable impact on the proportion of the preferential dividends that is allocated to GSK. Adjusting items are allocated to shareholders based on their equity interests. GSK was entitled to approximately 85% of the Total earnings and 82% of the Adjusted earnings of ViiV Healthcare for 2019. Remeasurements of the liabilities for the preferential dividends allocated to Pfizer and Shionogi are included within other operating income.

Acquisition-related arrangements

As consideration for the acquisition of Shionogi's interest in the former Shionogi-ViiV Healthcare joint venture in 2012, Shionogi received the 10% equity stake in ViiV Healthcare.

ViiV Healthcare also agreed to pay additional future cash consideration to Shionogi, contingent on the future sales performance of the products being developed by that joint venture, principally dolutegravir. Under IFRS 3 'Business combinations', GSK was required to provide for the estimated fair value of this contingent consideration at the time of acquisition and is required to update the liability to the latest estimate of fair value at each subsequent period end. The liability for the contingent consideration recognised in the balance sheet at the date of acquisition was £659 million. Subsequent remeasurements are reflected within other operating income/expense and within Adjusting items in the income statement in each period, and at 31 December 2019, the liability, which is discounted at 8.5%, stood at £5,103 million, on a post-tax basis.

Cash payments to settle the contingent consideration are made to Shionogi by ViiV Healthcare each quarter, based on the actual sales performance of the relevant products in the previous quarter. These payments reduce the balance sheet liability and hence are not recorded in the income statement. The cash payments made to Shionogi by ViiV Healthcare in 2019 were £865 million.

Because the liability is required to be recorded at the fair value of estimated future payments, there is a significant timing difference between the charges that are recorded in the Total income statement to reflect movements in the fair value of the liability and the actual cash payments made to settle the liability.

The cash payments are reflected in the cash flow statement partly in operating cash flows and partly within investing activities. The tax relief on these payments is reflected in the Group's Adjusting items as part of the tax charge. The part of each payment relating to the original estimate of the fair value of the contingent consideration on the acquisition of the Shionogi-ViiV Healthcare joint venture in 2012 of £659 million is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition is reported within operating cash flows.

Movements in contingent consideration payable to Shionogi were as follows:

	2019 £m	2018 £m
Contingent consideration at beginning of the year	5,937	5,542
Remeasurement through income statement	31	1,188
Cash payments: operating cash flows	(767)	(703)
Cash payments: investing activities	(98)	(90)
Contingent consideration at end of the year	5,103	5,937

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 31 December 2019, £730 million (31 December 2018 – £815 million) is expected to be paid within one year.

Exit rights

Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. Under the original agreements, GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of the Pfizer put option and, as a result, in accordance with IFRS, GSK did not recognise a liability for the put option on its balance sheet. However, during Q1 2016, GSK notified Pfizer that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £1,070 million. Consistent with this revised treatment, at the end of Q1 2016 GSK also recognised liabilities for the future preferential dividends anticipated to become payable to Pfizer and Shionogi on the Group's balance sheet.

The closing balances of the liabilities related to Pfizer's shareholding are as follows:

	2019 £m	2018 £m
Pfizer put option	1,011	1,240
Pfizer preferential dividend	4	15

Under the original agreements, Shionogi could also have requested GSK to acquire its shareholding in ViiV Healthcare in six-month windows commencing in 2017, 2020 and 2022. GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of the Shionogi put option and, as a result, GSK did not recognise a liability for the put option on its balance sheet.

However, during Q1 2016, GSK notified Shionogi that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £926 million. In Q4 2016, Shionogi irrevocably agreed to waive its put option and as a result GSK de-recognised the liability for this put option on the Group's balance sheet directly to equity. The value of the liability was £1,244 million when it was de-recognised.

GSK also has a call option over Shionogi's shareholding in ViiV Healthcare, which under the original agreements was exercisable in six-month windows commencing in 2027, 2030 and 2032. GSK has now irrevocably agreed to waive the first two exercise windows, but the last six-month window in 2032 remains. As this call option is at fair value, it has no value for accounting purposes.

Free cash flow

Free cash flow is defined as the net cash inflow from operating activities less capital expenditure on property, plant and equipment and intangible assets, contingent consideration payments, net finance costs, and dividends paid to non-controlling interests plus proceeds from the sale of property, plant and equipment and intangible assets, and dividends received from joint ventures and associates. It is used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies. Free cash flow growth is calculated on a reported basis. A reconciliation of net cash inflow from operations to free cash flow is set out below.

CER and AER growth

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. CER% represents growth at constant exchange rates. £% or AER% represents growth at actual exchange rates.

Financial performance

GSK uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are set out above under "Reporting framework" and reconciliations of Total results to Adjusted results are set out above.

Group turnover

Group turnover by business

	2019 £m	2018 £m	Growth £%	Growth CER%
Pharmaceuticals	17,554	17,269	2	—
Vaccines	7,157	5,894	21	19
Consumer Healthcare	8,995	7,658	17	17
Group turnover	33,706	30,821	9	8
Corporate and other unallocated turnover	48	—		
	33,754	30,821	10	8

Group turnover by geographic region

	2019 £m	2018 £m	Growth £%	Growth CER%
US	13,890	11,982	16	12
Europe	8,069	7,973	1	2
International	11,795	10,866	9	9
	33,754	30,821	10	8

Group turnover for the year increased 10% AER, 8% CER to £33,754 million, with growth delivered by Vaccines and Consumer Healthcare, and Pharmaceuticals flat at CER.

Pharmaceuticals turnover in the year was £17,554 million, up 2% AER, but flat at CER. HIV sales were up 3% AER, 1% CER, to £4,854 million and Respiratory sales were up 18% AER, 15% CER, to £3,081 million. Sales of Established Pharmaceuticals were £8,776 million, down 7% AER, 8% CER.

Vaccines turnover grew 21% AER, 19% CER to £7,157 million, primarily driven by growth in sales of *Shingrix*. Meningitis vaccines also contributed significantly to growth.

Pharmaceuticals and Vaccines Innovation sales (sales of products launched in the last five years) amounted to £3.8 billion in 2019, driven by sales of *Shingrix*, *Trelegy Ellipta* and *Nucala*.

Consumer Healthcare sales grew 17% AER, 17% CER to £8,995 million, primarily reflecting the acquisition of the Pfizer consumer healthcare business.

Consumer Healthcare Innovation sales (sales of products new to market in the last three years) amounted to 12% of Consumer Healthcare sales, reflecting continued focus on Oral health innovations.

Pharmaceuticals

Pharmaceuticals turnover

	2019 £m	2018 (revised) £m	Growth £%	Growth CER%
Respiratory	3,081	2,612	18	15
HIV	4,854	4,722	3	1
Immuno-inflammation	613	472	30	25
Oncology	230	—	—	—
Established Pharmaceuticals	8,776	9,463	(7)	(8)
	17,554	17,269	2	—

Pharmaceuticals turnover in the year was £17,554 million, up 2% AER, but flat at CER. HIV sales were up 3% AER, 1% CER, to £4,854 million, with growth in *Juluca* and *Dovato* partly offset by declines in *Triumeq* and *Tivicay*. Respiratory sales were up 18% AER, 15% CER, to £3,081 million, on growth of *Trelegy Ellipta* and *Nucala*. Sales of Established Pharmaceuticals were £8,776 million, down 7% AER, 8% CER, including the impact of loss of exclusivity of *Advair*.

In the US, sales declined 1% AER, 4% CER. Continued growth of *Nucala*, *Trelegy Ellipta* and *Benlysta* was more than offset by the decline in Established Products including the loss of exclusivity of *Advair*. Excluding *Advair* and *Relvar/Breo Ellipta*, which were impacted by genericisation of the ICS/LABA market, growth was 13% AER, 9% CER. In Europe, sales grew 1% AER, 2% CER, with strong growth in Respiratory partly offset by a decline in Established Pharmaceuticals. International grew 5% AER, 4% CER, with growth in all therapy areas.

Respiratory

Total Respiratory sales were up 18% AER, 15% CER, with strong growth in all regions. *Ellipta* product sales grew 13% AER, 10% CER, with Europe up 26% AER, 27% CER and International up 29% AER, 27% CER on *Trelegy* and *Relvar/Breo* growth. *Nucala* was up 36% AER, 37% CER in Europe and 56% AER, 50% CER in International. In the US, *Trelegy Ellipta* and *Nucala* growth offset the decline in *Relvar/Breo Ellipta* on post generic ICS/LABA price pressure.

Sales of *Nucala* were £768 million in the year and grew 36% AER, 33% CER, with US sales of £453 million up 33% AER, 28% CER, including the impact of the new at-home use application.

Sales of *Ellipta* products were up 13% AER, 10% CER to £2,313 million driven by growth in Europe and International regions. In the US, sales grew 4% AER, but were flat at CER, reflecting continued competitive pricing pressures for ICS/LABAs, post generic *Advair*. In Europe, sales grew 26% AER, 27% CER, and in International by 29% AER, 27% CER. Sales of *Trelegy Ellipta* contributed £518 million globally in the year, driven by an increase in US market share.

Relvar/Breo Ellipta sales were down 11% AER, 13% CER, driven by the US, where *Relvar/Breo Ellipta* declined 34% AER, 37% CER as a result of competitive pricing pressures and the impact of generic *Advair* on the US ICS/LABA market. In Europe and International, *Relvar/Breo Ellipta* continued to grow, up 11% AER, 12% CER in Europe, and 21% AER, 19% CER in International.

HIV

HIV sales grew 3% AER, 1% CER to £4,854 million in the year. The dolutegravir franchise grew 5% AER, 2% CER, delivering sales of £4,633 million. The remaining portfolio, £221 million and 5% of total HIV sales, declined 27% AER, 27% CER and reduced the overall HIV growth by two percentage points at AER and one percentage point at CER.

Sales of dolutegravir products were £4,633 million, with *Triumeq* and *Tivicay* delivering sales of £2,549 million and £1,662 million, respectively. The two-drug regimens, *Juluca* and *Dovato*, delivered sales of £422 million in the year with combined growth more than offsetting the decline in the three-drug regimen, *Triumeq*, which reflected the impact of competition as well as the transition of the business to the new portfolio.

In the US, following the launch of *Dovato* in April 2019, combined sales of the two-drug regimens were £350 million. Total dolutegravir sales grew 4% AER but were flat at CER, reflecting a year-on-year share decline as the business transitions to the new two-drug portfolio, offset by a net price benefit. In Europe, total dolutegravir sales were flat at AER and flat at CER, with strong growth in market share offsetting price erosion and higher clawback payments. *Dovato* and *Juluca* reported combined sales of £65 million. International grew strongly with total dolutegravir sales growth of 22% AER, 22% CER, driven by *Tivicay* and *Triumeq*.

Oncology

Sales of *Zejula*, were £229 million in the period from the date of acquisition, comprising £134 million in the US and £95 million in Europe.

Immuno-inflammation

Sales of *Benlysta* in the year were up 30% AER, 25% CER to £613 million, including sales of the sub-cutaneous formulation of £268 million. In the US, *Benlysta* grew 27% AER, 23% CER to £535 million.

Established Pharmaceuticals

Sales of Established Pharmaceuticals in the year were £8,776 million, down 7% AER, 8% CER.

Established Respiratory products declined 10% AER, 11% CER to £3,900 million, with the decline in *Advair/Seretide* partly offset by higher sales of *Ventolin*, *Flovent* and allergy products. In the US, a generic version of *Advair* was launched in February, resulting in a 54% AER, 56% CER decline in the year. In Europe, *Seretide* sales were down 16% AER, 16% CER to £502 million, reflecting continued competition from generic products and the transition of the Respiratory portfolio to newer products. In International, sales of *Seretide* were flat at AER but down 1% CER. Globally, *Ventolin* grew by 27% AER, 25% CER, driven by the strong uptake of an authorised generic version in the US.

The remainder of the Established Pharmaceuticals portfolio declined 5% AER, 6% CER to £4,876 million, including *Lamictal* down 8% AER, 10% CER to £566 million on generic competition and lower sales of *Viread* in International. These declines were partly offset by *Augmentin*, up 6% AER, 6% CER to £602 million in the year, driven by strong growth in International.

Vaccines

Vaccines turnover

	2019 £m	2018 £m	Growth £%	Growth CER%
Meningitis	1,018	881	16	15
Influenza	541	523	3	1
Shingles	1,810	784	>100	>100
Established Vaccines	3,788	3,706	2	1
	7,157	5,894	21	19

Vaccines turnover grew 21% AER, 19% CER to £7,157 million, primarily driven by growth in sales of *Shingrix*. Meningitis vaccines also contributed to growth mainly due to *Bexsero* demand and share gains in the US together with stronger demand in International. Established Vaccines grew 2% AER, 1% CER to £3,788 million, primarily reflecting strong growth in *Boostrix*, Hepatitis vaccines, *Synflorix* and *Infanrix/Pediarix*, partly offset by lower *Cervarix* sales in International and supply constraints in MMRV vaccines.

Meningitis

Meningitis sales grew 16% AER, 15% CER to £1,018 million. *Bexsero* sales grew 16% AER, 16% CER to £679 million, driven by demand and share gains in the US together with stronger demand in International and Europe, partly offset by the completion of the vaccination of catch-up cohorts in certain markets in Europe. *Menveo* grew 15% AER, 13% CER, primarily reflecting improved supply and higher demand in International.

Influenza

Fluarix/FluLaval sales were up 3% AER, 1% CER to £541 million, reflecting strong sales execution in the US, partly offset by increased price competition in the US and lower demand in Europe.

Shingles

Shingrix recorded sales of £1,810 million, primarily driven by continued strong uptake and the favourable benefit of prior-period rebate adjustments in the US. Germany and Canada also contributed to growth.

Established Vaccines

Sales of DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix*) grew 10% AER, 8% CER. *Infanrix/Pediarix* sales grew 8% AER, 6% CER to £733 million, reflecting favourable year-on-year US CDC stockpile movements and stronger demand in International, partly offset by competitive pressures in Europe. *Boostrix* sales were up 13% AER, 11% CER to £584 million mainly due to strong demand in International together with share gains and higher demand in the US.

Hepatitis vaccines grew 8% AER, 6% CER to £874 million, primarily due to favourable year-on-year CDC stockpile movements and the continued benefit from a competitor supply shortage in the US, partly offset by supply constraints and lower demand in Europe.

Synflorix sales grew 10% AER, 11% CER to £468 million, primarily due to stronger demand in International.

Rotarix sales were up 7% AER, 6% CER to £558 million, reflecting stronger demand in International and the US together with favourable phasing in International.

MMRV vaccines sales declined 24% AER, 23% CER to £232 million, largely driven by supply constraints in Europe and International.

Cervarix sales were down 64% AER, 64% CER to £50 million, reflecting lower demand and expected returns due to competitive pressure in China, together with lower demand elsewhere in International.

Consumer Healthcare

Consumer Healthcare turnover

	2019 £m	2018 £m	Growth £%	Growth CER%
Wellness	4,526	3,940	15	14
Oral health	2,673	2,496	7	7
Nutrition	1,176	643	83	81
Skin health	620	579	7	7
	8,995	7,658	17	17

	2019 £m	2018 £m	Growth £%	Growth CER%
US	2,583	1,828	41	36
Europe	2,456	2,340	5	6
International	3,956	3,490	13	14
	8,995	7,658	17	17

Consumer Healthcare sales grew 17% AER, 17% CER in 2019 to £8,995 million. At a regional level, growth was driven by the US and International, particularly China, following the acquisition of the Pfizer portfolio.

Sales of the Consumer Healthcare business included five months of Pfizer brand sales arising after the creation of the joint venture. The Pfizer brands have been included in the existing categories and geographic regions used to report Consumer Healthcare sales. GSK expects to revise this category structure for reporting from Q1 2020 onwards.

Wellness

Wellness sales grew 15% AER, 14% CER to £4,526 million for the year. Pain relief benefited from continued strong performance of *Panadol* and *Advil* with the latter reflecting ongoing recovery from now resolved supply issues. *Voltaren* saw weaker performance and was also impacted by retail stock movements. Respiratory sales declined as growth in *Flonase* was more than offset by weaker performance in *Theraflu*, following a strong cold and flu comparator in 2018. Growth was also impacted by a decline in other Respiratory brands.

Oral health

Oral health sales grew 7% AER, 7% CER to £2,673 million. *Sensodyne* saw double-digit, broad-based growth, with strong performance in the US and India benefiting from new product innovations. Gum health grew in double digits with broad-based growth, while Denture care grew in mid-single digits. Oral health growth was also impacted by a decline in sales of non-strategic brands.

Nutrition

Nutrition sales grew 83% AER, 81% CER to £1,176 million, largely due to the inclusion of the Pfizer vitamins, minerals and supplements portfolio. Growth also reflected the strong performance of *Horlicks*, offset by declines in other Nutrition products due to the alignment of in-market inventory levels of some Pfizer brands, but was impacted by the divestment of *Horlicks* and *Maxinutrition* in the UK.

Skin health

Skin health sales grew 7% AER, 7% CER to £620 million, largely due to the addition of *ChapStick* from the Pfizer portfolio.

Cost of sales

	2019 £m	2018 £m	Growth £%	Growth CER%
Total cost of sales	(11,863)	(10,241)	16	16
Adjusted cost of sales	(10,079)	(9,178)	10	10

Total cost of sales as a percentage of turnover was 35.1%, 1.9 percentage points higher at AER and 2.4 percentage points higher in CER terms compared with 2018. This reflected an increase in the costs of Major restructuring programmes, primarily as a result of write-downs in a number of manufacturing sites, the unwind of the fair market value uplift on inventory arising on completion of the Consumer Healthcare Joint Venture with Pfizer and increased amortisation of intangible assets.

Excluding these and other Adjusting items, Adjusted cost of sales as a percentage of turnover was 29.9%, 0.1 percentage points higher at AER and 0.5 percentage points higher at CER compared with 2018. This reflected continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, an unfavourable product mix in Pharmaceuticals and a number of non-restructuring related write-downs in manufacturing sites. This was partly offset by a more favourable product mix in Vaccines, primarily due to growth of *Shingrix* in the US, a favourable impact of inventory adjustments in Vaccines and a further contribution from integration and restructuring savings in Pharmaceuticals and Consumer Healthcare.

Selling, general and administration

	2019 £m	2018 £m	Growth £%	Growth CER%
Total selling, general and administration	(11,402)	(9,915)	15	13
Adjusted selling, general and administration	(10,715)	(9,462)	13	12

Total SG&A costs as a percentage of turnover were 33.8%, 1.6 percentage points higher at AER and 1.6 percentage points higher at CER compared with 2018. This included increased significant legal charges arising from the settlement of existing matters and provisions for ongoing litigation, costs related to the acquisition of the Pfizer consumer healthcare business and a reversal of an indemnity receivable from Novartis following a tax settlement, with an equivalent release of a tax provision which was reflected in the tax charge, as well as increased restructuring costs.

Excluding these and other Adjusting items, Adjusted SG&A costs as a percentage of turnover were 31.7%, 1.0 percentage point higher at AER than in 2018 and 1.0 percentage point higher on a CER basis.

The growth in Adjusted SG&A costs of 13% AER, 12% CER reflected increased investment resulting from the acquisition of Tesaro and in promotional product support, particularly for new launches in Vaccines, Respiratory and HIV, as well as increased costs for a number of legal settlements.

This was partly offset by the continuing benefit of restructuring in Pharmaceuticals and the tight control of ongoing costs, particularly in non-promotional spending across all three businesses.

Research and development

	2019 £m	2018 £m	Growth £%	Growth CER%
Total research and development	(4,568)	(3,893)	17	15
Adjusted research and development	(4,339)	(3,735)	16	14

Total R&D expenditure was £4,568 million, 13.5% of turnover, up 17% AER, 15% CER. Adjusted R&D expenditure was £4,339 million, 12.9% of turnover, 16% higher at AER, 14% higher at CER than in 2018.

Pharmaceuticals R&D expenditure was £3,348 million, up 19% AER, 16% CER, with a significant increase in study and clinical trial material investment in Oncology compared with 2018. This reflected the progression of assets from the Tesaro acquisition, primarily *Zejula* and dostarlimab, and a number of other programmes, including belantamab mafodotin, NY-ESO, ICOS and bintrafusp alfa, as well as increased spending on the progression of key non-Oncology assets, such as aGM-CSF for rheumatoid arthritis. This was partly offset by savings from the early phase portfolio reprioritisation in late 2018. R&D expenditure in Vaccines and Consumer Healthcare was £718 million and £273 million, respectively.

Royalty income

Royalty income was £351 million (2018 – £299 million), up 17% AER, 17% CER, primarily reflecting increased royalties on sales of Gardasil.

Other operating income/(expense)

Net other operating income of £689 million (2018 – £1,588 million expense) primarily reflected the profit on disposal of rabies and tick-borne encephalitis vaccines (£306 million) and a number of other asset disposals, together with an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands. The cumulative increase in value since the signing of the proposed transaction was £240 million.

Other income also included accounting credits of £127 million (2018 – £1,846 million expense) arising from the remeasurement of the contingent consideration liabilities related to the acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. This included a remeasurement charge of £31 million (2018 – £1,188 million) for the contingent consideration liability due to Shionogi, primarily arising from the unwind of the discounting, partly offset by changes in exchange rate assumptions and sales forecasts. 2018 also included a remeasurement charge of £658 million in relation to the Consumer Healthcare put option.

Operating profit

Total operating profit was £6,961 million in 2019 compared with £5,483 million in 2018. Reduced remeasurement charges on the contingent consideration liabilities, no Consumer Healthcare put option charge, increased profits on disposals and an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands were partly offset by increased charges for Major restructuring, primarily arising from write-downs in a number of manufacturing sites and costs to integrate the Consumer Healthcare Joint Venture, and increased significant legal charges.

Excluding these and other Adjusting items, Adjusted operating profit was £8,972 million, 3% higher than 2018 at AER but flat at CER on a turnover increase of 8% CER. The Adjusted operating margin of 26.6% was 1.8 percentage points lower at AER, and 2.1 percentage points lower on a CER basis than in 2018.

The reduction in Adjusted operating profit primarily reflected continuing price pressure, particularly in Respiratory, including the impact of the launch of a generic version of *Advair* in the US in February 2019, investment in R&D including a significant increase in Oncology investment, partly on the assets from the Tesaro acquisition, and investments in promotional product support, particularly for new launches in Vaccines, HIV and Respiratory. This was partly offset by the benefit from sales growth, particularly in Vaccines, a more favourable mix in Vaccines and Consumer Healthcare, favourable inventory adjustments in Vaccines and the continued benefit of restructuring with tight control of ongoing costs across all three businesses.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in 2019 amounted to £893 million (2018 – £1,137 million), including payments to Shionogi of £865 million (2018 – £793 million).

Operating profit by business

Pharmaceuticals operating profit was £4,595 million, down 20% AER, 22% CER with turnover flat at CER. The operating margin of 26.2% was 7.1 percentage points lower at AER than in 2018 and 7.2 percentage points lower on a CER basis. This primarily reflected the increase in cost of sales percentage due to the continued impact of lower prices, particularly in Respiratory, including the impact of the launch of a generic version of *Advair* in the US in February 2019, an unfavourable product mix, primarily as a result of the decline in *Advair* and growth in lower margin products, a significant increase in Oncology R&D and investment in new product support and targeted priority markets, together with a number of non-restructuring related write-downs in manufacturing sites and higher legal costs.

This was partly offset by the continued benefit of restructuring and tight control of ongoing costs and the benefits of re-prioritisation of the R&D portfolio.

Vaccines operating profit was £2,966 million, 53% AER, 46% CER higher than in 2018 on a turnover increase of 19% CER. The operating margin of 41.4% was 8.5 percentage points higher at AER than in 2018 and 7.3 percentage points higher on a CER basis. This was primarily driven by enhanced operating leverage from strong sales growth, particularly *Shingrix* in the US, improved product mix and higher royalty income. Increased SG&A investment to support business growth was partly offset by income from one-off settlements.

Consumer Healthcare operating profit was £1,874 million, up 24% AER, 22% CER higher on a turnover increase of 17% CER. The operating margin of 20.8% was 1.0 percentage point higher at AER and 0.9 percentage points higher on a CER basis than in 2018. This primarily reflected continued manufacturing restructuring savings, improved growth from higher margin power brands and the divestment of lower margin tail products, as well as tight control of other operating expenses, partly offset by increased investment in promotion.

Net finance costs

Finance income	2019 £m	2018 (revised) £m
Interest and other income	79	74
Fair value movements	19	7
	98	81
Finance expense		
Interest expense	(840)	(715)
Unwinding of discounts on provisions	(8)	(15)
Remeasurements and fair value movements	(1)	3
Finance expense on lease liabilities	(39)	(2)
Other finance expense	(24)	(69)
	(912)	(798)

Total net finance costs were £814 million compared with £717 million in 2018. Adjusted net finance costs were £810 million compared with £698 million in 2018. The increase primarily reflected higher debt levels following the acquisition from Novartis of its stake in the Consumer Healthcare Joint Venture in June 2018 and the acquisition of Tesaro in January 2019, as well as an adverse comparison with a one-off accounting adjustment of £20 million to amortisation of interest charges in 2018. This was partly offset by the benefit from older bonds being refinanced at lower interest rates, a fair value gain on interest rate swaps and interest of £23 million in Q3 2018 on an historic tax settlement. Following the introduction of IFRS 16, ‘Leases’, finance costs included an unwind of the discount on the lease liability of £39 million in the year.

Share of after-tax profits of associates and joint ventures

The share of after-tax profits of associates was £74 million (2018 – £31 million). This included a one-off adjustment of £51 million to reflect GSK’s share of increased after-tax profits of Innoviva primarily as a result of a non-recurring income tax benefit.

Profit before tax

Taking account of net finance costs and the share of profits of associates, profit before taxation was £6,221 million compared with £4,800 million in 2018.

Taxation

	2019 £m	2018 £m
UK current year charge	149	234
Rest of world current year charge	1,407	1,426
Charge in respect of prior periods	(420)	(492)
Total current taxation	1,136	1,168
Total deferred taxation	(183)	(414)
Taxation on total profits	953	754

The charge of £953 million represented an effective tax rate on Total results of 15.3% (2018 – 15.7%) and reflected the different tax effects of the various Adjusting items. Tax on Adjusted profit amounted to £1,318 million and represented an effective Adjusted tax rate of 16.0% (2018 – 19.0%), reflecting the impact of the settlement of a number of open issues with tax authorities.

Issues related to taxation are described in Note 14, to the financial statements 'Taxation'. The Group continues to believe it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities.

Non-controlling interests

The allocation of Total earnings to non-controlling interests amounted to £623 million (2018 – £423 million). The increase was primarily due to an increased allocation of ViiV Healthcare profits of £482 million (2018 – £251 million) and higher net profits in some of the Group's other entities with non-controlling interests. This was partly offset by the lower allocation of Consumer Healthcare profits of £70 million (2018 – £117 million) following the buyout of Novartis' interest in June 2018 and the completion of the new Consumer Healthcare Joint Venture with Pfizer on 31 July 2019, and which included the unwind of the fair value uplift on acquired inventory.

The allocation of Adjusted earnings to non-controlling interests amounted to £787 million (2018 – £674 million). The increase in allocation reflected an increased allocation of Consumer Healthcare profits of £204 million (2018 – £118 million), an increased allocation of ViiV Healthcare profits of £512 million (2018 – £501 million) and higher net profits in some of the Group's other entities with non-controlling interests.

Earnings per share

Total earnings per share was 93.9p, compared with 73.7p in 2018. The increase in earnings per share primarily reflected reduced remeasurement charges on the contingent consideration liabilities and put options, an increase in the value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, a reduced effective tax rate and the increased share of after-tax profit of the associate Innoviva.

Adjusted EPS of 123.9p compared with 119.4p in 2018, up 4% AER, 1% CER, with Adjusted operating profit flat at CER. The improvement primarily resulted from a reduced effective tax rate and an increased share of after-tax profits of associates as a result of a non-recurring income tax benefit in Innoviva, partly offset by increased net finance costs and a higher non-controlling interest allocation of Consumer Healthcare profits.

Dividends

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend declared for 2018. See Note 16 to the financial statements, 'Dividends'.

Dividend policy

GSK recognises the importance of dividends to shareholders and aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.

The Board intends to maintain the dividend for 2020 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25 - 1.50x, before returning the dividend to growth.

Outlook

Our outlook for 2020 reflects our expectations for growth in key new products, and the start of a two-year period in which we will continue to increase investment in these products and in our R&D pipeline, alongside implementation of our new programme which will prepare the Group for separation.

In 2020 we expect Adjusted EPS to decline in the range of -1% to -4% at CER. This guidance excludes any impact in 2020 from any further material divestments beyond those previously announced and any potential impact on our business from the coronavirus outbreak.

We are not able to give guidance for Total results as we cannot reliably forecast certain material elements of our Total results such as impairments of intangible assets and the future fair value movements on contingent consideration and put options, including those arising from changes in foreign exchange rates, and therefore a reconciliation of the guidance for Adjusted results to equivalent guidance for Total results is not available without unreasonable effort.

All expectations, guidance and targets regarding future performance and dividend payments should be read together with 'Cautionary statement regarding forward-looking statements' and 'Assumptions related to 2016-2020 outlook' on the inside back cover of the GSK Annual Report 2019.

Adjusting items

Major restructuring and integration

Within the Pharmaceuticals sector, the highly-regulated manufacturing operations and supply chains and long life-cycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board-approved Major restructuring programmes and are excluded from Adjusted results. Major restructuring programmes, including integration costs following material acquisitions, are those that are structural and are of a significant scale where the costs of individual or related projects exceed £25 million. Other ordinary course smaller-scale restructuring costs are retained within Total and Adjusted results.

Total Major restructuring charges incurred in 2019 were £1,105 million (2018 – £809 million), analysed as follows:

	2019			2018		
	Cash £m	Non-cash £m	Total £m	Cash £m	Non-cash £m	Total £m
2018 major restructuring programme (incl. Tesaro)	227	572	799	279	90	369
Consumer Healthcare Joint Venture integration programme	248	4	252	—	—	—
Combined restructuring and integration programme	10	44	54	330	110	440
	485	620	1,105	609	200	809

Cash charges primarily arose from restructuring of the manufacturing organisation, R&D and some administrative functions as well as the integration of Tesaro under the 2018 major restructuring programme and integration costs under the Consumer Healthcare Joint Venture integration programme. Non-cash charges under the 2018 major restructuring programme primarily related to announced plans to restructure the manufacturing network.

Total cash payments made in 2019 were £645 million, £316 million for the existing Combined restructuring and integration programme (2018 – £528 million) and £164 million (2018 – £9 million) under the 2018 major restructuring programme including the settlement of certain charges accrued in previous quarters and a further £165 million relating to the Consumer Healthcare Joint Venture integration programme.

The analysis of major restructuring charges by business was as follows:

	2019 £m	2018 £m
Pharmaceuticals	651	563
Vaccines	58	104
Consumer Healthcare	321	72
	1,030	739
Corporate and central functions	75	70
Total Major restructuring charges	1,105	809

The analysis of Major restructuring charges by Income statement line was as follows:

	2019 £m	2018 £m
Cost of sales	658	443
Selling, general and administration	332	315
Research and development	114	49
Other operating income/(expense)	1	2
Total Major restructuring charges	1,105	809

The Combined restructuring and integration programme delivered incremental annual cost savings in the year of £0.3 billion. The 2018 major restructuring programme delivered incremental cost savings in the year of £0.2 billion.

Total cash charges for the Combined restructuring and integration programme are now expected to be approximately £4.0 billion with non-cash charges of £1.4 billion. The total of £5.4 billion represents a reduction of £0.3 billion from the originally approved £5.7 billion. The programme has now delivered approximately £4.2 billion of annual savings, including an estimated currency benefit of £0.2 billion. The programme is expected to deliver by the end of 2020 total annual savings of £4.3 billion on a constant currency basis, including an estimated benefit of £0.2 billion from currency on the basis of 2019 average exchange rates. The programme is substantially complete and therefore GSK will cease external reporting of total costs and benefits of the Combined restructuring and integration programme from 2020 onwards.

The Group acquired Tesaro in January 2019, and is expected to incur around £50 million of integration and restructuring cash costs, leading to annual cost-saving benefits of around £50 million. This has been added to and reported as part of the existing 2018 major restructuring programme.

The 2018 major restructuring programme, now including Tesaro, is expected to cost £1.75 billion over the period to 2021, with cash costs of £0.85 billion and non-cash costs of £0.9 billion, and is expected to deliver annual savings of around £450 million by 2021 (at 2019 rates). These savings are intended to be fully re-invested to help fund targeted increases in R&D and commercial support of new products.

The completion of the new Consumer Healthcare Joint Venture with Pfizer is expected to realise substantial cost synergies, generating total annual cost savings of £0.5 billion by 2022 for expected cash costs of £0.7 billion and non-cash charges of £0.3 billion, plus additional capital expenditure of £0.2 billion. Up to 25% of the cost savings are intended to be reinvested in the business to support innovation and other growth opportunities.

The Group has initiated a two-year Separation Preparation programme to prepare for the separation of GSK into two companies: New GSK, a biopharma company with an R&D approach focused on science related to the immune system, the use of genetics and new technologies, and a new leader in Consumer Healthcare.

The programme aims to:

- drive a common approach to R&D with improved capital allocation
- align and improve the capabilities and efficiency of global support functions to support New GSK
- further optimise the supply chain and product portfolio, including the divestment of non-core assets. A strategic review of prescription dermatology is underway
- prepare Consumer Healthcare to operate as a standalone company

The programme will target delivery of £0.7 billion of annual savings by 2022 and £0.8 billion by 2023, with total costs estimated at £2.4 billion, of which £1.6 billion is expected to be cash costs. The proceeds of anticipated divestments are largely expected to cover the cash costs of the programme.Additional one-time costs to prepare Consumer Healthcare for separation are estimated at £600-700 million, excluding transaction costs.

Transaction-related adjustments

Transaction-related adjustments resulted in a net charge of £345 million (2018 – £1,977 million). This included a net £127 million accounting credit for the remeasurement of the contingent consideration liabilities related to the acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare.

Charge/(credit)	2019 £m	2018 £m
Consumer Healthcare Joint Venture put option	—	658
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	31	1,188
ViiV Healthcare put options and Pfizer preferential dividends	(234)	(58)
Contingent consideration on former Novartis Vaccines business	76	58
Release of fair value uplift on acquired Pfizer inventory	366	—
Other adjustments	106	131
Total transaction-related charges	345	1,977

The £31 million charge relating to the contingent consideration for the former Shionogi-ViiV Healthcare joint venture represented an increase in the valuation of the contingent consideration due to Shionogi, primarily as a result of a £435 million unwind of the discount, partly offset by updated exchange rate assumptions and adjustments to sales forecasts. The £234 million credit relating to the ViiV Healthcare put options and Pfizer preferential dividends represented a reduction in the valuation of the put option as a result of adjustments to multiples and sales forecasts as well as updated exchange rate assumptions.

Other adjustments included transaction costs arising on completion of the Consumer Healthcare Joint Venture with Pfizer, as well as a reversal of an indemnity receivable from Novartis following a tax settlement, with an equivalent release of a tax provision. An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out above under "Reporting framework".

Divestments, significant legal charges and other items

Divestments and other items included a profit on disposal of rabies and tick-borne encephalitis vaccines (£306 million), a gain in the year of £143 million arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, as well as equity investment impairments and certain other Adjusting items together with the profit on a number of asset disposals. A charge of £251 million (2018 – £33 million) for significant legal matters included the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £294 million (2018 – £39 million).

Cash generation and conversion

A summary of the consolidated cash flow statement is set out below.

	2019 £m	2018 £m
Net cash inflow from operating activities	8,020	8,421
Net cash outflow from investing activities	(5,354)	(1,553)
Net cash outflow from financing activities	(1,840)	(6,389)
Increase/(decrease) in cash and bank overdrafts	826	479
Cash and bank overdrafts at beginning of year	4,087	3,600
Increase in cash and bank overdrafts	826	479
Exchange adjustments	(82)	8
Cash and bank overdrafts at end of year	4,831	4,087
Cash and bank overdrafts at end of year comprise:		
Cash and cash equivalents	4,707	3,874
Cash and cash equivalents reported in assets held for sale	507	485
Overdrafts	(383)	(272)
	4,831	4,087

The net cash inflow from operating activities for the year was £8,020 million (2018 - £8,421 million). The reduction primarily reflected the adverse timing of payments for returns and rebates, as well as the initial step-down impact from US Advair generic competition, higher restructuring payments and higher significant legal costs. This was partly offset by improved operating profits including currency benefits, a reduction in inventory and lower increase in trade receivables, lower contingent consideration payments and the reclassification of lease payments from operating to financing activities following the transition to IFRS 16.

Capital expenditure and financial investment

Cash payments for tangible and intangible fixed assets amounted to £2,163 million (2018 – £1,796 million) and disposals realised £603 million (2018 – £453 million). Cash payments to acquire equity investments amounted to £258 million (2018 – £309 million), primarily relating to Lyell Immunopharma, and sales of equity investments realised £69 million (2018 – £151 million).

Free cash flow

Free cash flow is the amount of cash generated by the Group after meeting our obligations for contingent consideration, interest, tax and dividends paid to non-controlling interests, and after capital expenditure on property, plant and equipment and intangible assets.

	2019 £m	2018 £m
Free cash inflow	5,073	5,692

The reduction in free cash flow primarily reflected the adverse timing of payments for returns and rebates, as well as the initial step-down impact from US Advair generic competition, increased capital expenditure including the acquisition of intangible assets, higher restructuring payments and higher significant legal costs. This was partly offset by improved operating profits including currency benefits, a reduction in inventory and a lower increase in trade receivables, lower contingent consideration payments compared with 2018, which included a milestone payment to Novartis, lower dividend payments to non-controlling interests and the reclassification of lease payments from operating to financing activities following the transition to IFRS 16.

Total cash payments to Shionogi in relation to the ViiV Healthcare contingent consideration liability in the year were £865 million (2018 – £793 million), of which £767 million was recognised in cash flows from operating activities and £98 million was recognised in contingent consideration paid within investing cash flows. These payments are deductible for tax purposes.

Reconciliation of net cash inflow from operating activities to free cash flow

A reconciliation of net cash inflow from operating activities, which is the closest equivalent IFRS measure to free cash flow, is shown below.

	2019 £m	2018 £m
Net cash inflow from operating activities	8,020	8,421
Purchase of property, plant and equipment	(1,265)	(1,344)
Purchase of intangible assets	(898)	(452)
Proceeds from sale of property, plant and equipment	95	168
Proceeds from disposal of intangible assets	404	256
Interest paid	(895)	(766)
Interest received	82	72
Dividends from associates and joint ventures	7	39
Contingent consideration paid (reported in investing activities)	(113)	(153)
Contribution from non-controlling interests	—	21
Distributions to non-controlling interests	(364)	(570)
Free cash flow	5,073	5,692

Future cash flow

Over the long term, we expect that future cash generated from operations will be sufficient to fund our operating and debt servicing costs, normal levels of capital expenditure, obligations under existing licensing agreements, expenditure arising from restructuring programmes and other routine outflows including tax, pension contributions and dividends, subject to the 'Principal risks and uncertainties' discussed under Item 3.D "Risk Factors" above. We may from time to time have additional demands for finance, such as for acquisitions, including potentially acquiring increased ownership interests in the ViiV Healthcare business where minority shareholders hold put options. We have access to multiple sources of liquidity from short and long-term capital markets and financial institutions for such needs, in addition to the cash flow from operations.

Investment appraisal and capital allocation

We have a strong framework for capital allocation, including a board to govern the allocation of capital between our businesses. We utilise a consistent cash return on invested capital (CROIC) methodology to prioritise investment across the Group as a whole, so that we can more effectively compare the returns from each of the businesses as we allocate capital between them. We also consider the impact on EPS and our credit profile where relevant.

Financial position and resources

	2019 £m	2018 £m
Assets		
Non-current assets		
Property, plant and equipment	10,348	11,058
Right of use assets	966	—
Goodwill	10,562	5,789
Other intangible assets	30,955	17,202
Investments in associates and joint ventures	314	236
Other investments	1,837	1,322
Deferred tax assets	4,096	3,887
Derivative financial instruments	103	69
Other non-current assets	1,020	1,576
Total non-current assets	60,201	41,139
Current assets		
Inventories	5,947	5,476
Current tax recoverable	262	229
Trade and other receivables	7,202	6,423
Derivative financial instruments	421	188
Liquid investments	79	84
Cash and cash equivalents	4,707	3,874
Assets held for sale	873	653
Total current assets	19,491	16,927
Total assets	79,692	58,066
Liabilities		
Current liabilities		
Short-term borrowings	(6,918)	(5,793)
Contingent consideration liabilities	(755)	(837)
Trade and other payables	(14,939)	(14,037)
Derivative financial instruments	(188)	(127)
Current tax payable	(629)	(965)
Short-term provisions	(621)	(732)
Total current liabilities	(24,050)	(22,491)
Non-current liabilities		
Long-term borrowings	(23,590)	(20,271)
Corporation tax payable	(189)	(272)
Deferred tax liabilities	(3,810)	(1,156)
Pensions and other post-employment benefits	(3,457)	(3,125)
Other provisions	(670)	(691)
Derivative financial instruments	(1)	(1)
Contingent consideration liabilities	(4,724)	(5,449)
Other non-current liabilities	(844)	(938)
Total non-current liabilities	(37,285)	(31,903)
Total liabilities	(61,335)	(54,394)
Net assets	18,357	3,672
Total equity	18,357	3,672

Acquisition of Pfizer consumer healthcare business

As the acquisition of the Pfizer consumer healthcare business was a non-cash transaction, it resulted in an increase in net assets of £15.0 billion, including intangible assets of £12.4 billion and goodwill of £3.9 billion. This reflected the recognition of Pfizer's non-controlling interest in the Consumer Healthcare Joint Venture of £6.9 billion and a gain in retained earnings of £8.1 billion representing the difference between fair value and book value of the 32% of GSK's Consumer Healthcare business transferred to Pfizer.

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption to production and to ensure compliance with regulatory standards. A number of our processes use hazardous materials.

The total cost of our property, plant and equipment at 31 December 2019 was £21,599 million, with a net book value of £10,348 million. Of this, land and buildings represented £4,037 million, plant and equipment £4,425 million and assets in construction £1,886 million. In 2019, we invested £1,640 million in new property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites to support new product development and launches as well as to improve the efficiency of existing supply chains. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2019, we had contractual commitments for future capital expenditure of £413 million. We believe that our property and plant facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under 'Environment' on page 41 of the GSK Annual Report 2019 and in Note 46 to the financial statements, 'Legal proceedings'.

Right of use assets

Right of use assets amounted to £966 million at 31 December 2019 compared with £1,071 million on 1 January 2019, following the implementation of IFRS 16. The decrease in the year reflected the impact of depreciation and disposals of £214 million and £64 million respectively, partly offset by additions, including from business combinations, of £211 million.

Goodwill

Goodwill increased to £10,562 million at 31 December 2019, from £5,789 million, primarily reflecting additions of £3,854 million arising from the acquisition of the Pfizer consumer healthcare business and £1,169 million from the acquisition of Tesaro, Inc.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2019 was £30,955 million (2018 – £17,202 million). The increase primarily reflected additions of £12,357 million from the acquisition of the Pfizer consumer healthcare business and £3,092 million from the acquisition of Tesaro, Inc.

Investments in associates and joint ventures

We held investments in associates and joint ventures with a carrying value at 31 December 2019 of £314 million (2018 – £236 million). The market value at 31 December 2019 was £396 million (2018 – £487 million). The largest of these investments was in Innoviva Inc., which had a book value at 31 December 2019 of £261 million (2018 – £189 million) and a market value of £343 million. See Note 21 to the financial statements, 'Investments in associates and joint ventures'.

Other investments

We held other investments with a carrying value at 31 December 2019 of £1,837 million (2018 – £1,322 million). The highest value investments held at 31 December 2019 were in 23andMe, which had a book value at 31 December 2019 of £227 million (2018 – £229 million), Progyny, Inc, which had a book value of £213 million (2018 – £21 million) and Theravance Biopharma, Inc., which had a book value at 31 December 2019 of £189 million (2018 – £194 million). The other investments included equity stakes in companies with which we have research collaborations, and which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets

We had current derivative financial assets held at fair value of £421 million (2018 – £188 million) and non-current derivative financial assets held at fair value of £103 million (2018 –£69 million). £240 million of current derivative financial assets related to a derivative embedded in the agreement to divest *Horlicks* and other nutritional brands to Unilever plc. See Note 40 for further information. The majority of the remainder of these financial instruments related to foreign exchange contracts both designated and not designated as accounting hedges.

Inventories

Inventory of £5,947 million increased from £5,476 million in 2018 primarily reflecting the higher inventory in Consumer Healthcare following the Pfizer acquisition in the year, partly offset by the impact of exchange movements.

Trade and other receivables

Trade and other receivables of £7,202 million increased from £6,423 million in 2018, primarily reflecting the impact of higher sales, particularly in Vaccines, partly offset by better collections and exchange movements.

Deferred tax assets

Deferred tax assets amounted to £4,096 million (2018 – £3,887 million) at 31 December 2019.

Derivative financial instruments: liabilities

We held current and non-current derivative financial liabilities at fair value of £189 million (2018 – £128 million). This primarily related to foreign exchange contracts both designated and not designated as accounting hedges.

Trade and other payables

At 31 December 2019, trade and other payables were £14,939 million compared with £14,037 million at 31 December 2018. The increase primarily reflected higher payables in Consumer Healthcare following the Pfizer acquisition in the year, partly offset by exchange movements.

Provisions

We carried deferred tax provisions and other short-term and non-current provisions of £5,101 million at 31 December 2019 (2018 – £2,579 million). Other provisions at the year-end included £198 million (2018 – £219 million) related to legal and other disputes and £505 million (2018 – £641 million) related to Major restructuring programmes. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of the restructuring programme to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits

We account for pension and other post-employment arrangements in accordance with IAS 19. The net deficits were £1,921 million (2018 — £995 million) on pension arrangements and £1,418 million (2018 – £1,379 million) on unfunded post-employment liabilities. See Note 30 to the financial statements, 'Pensions and other post-employment benefits'.

Other non-current liabilities

Other non-current liabilities amounted to £844 million at 31 December 2019 (2018 – £938 million).

Contingent consideration liabilities

Contingent consideration amounted to £5,479 million at 31 December 2019 (2018 – £6,286 million), of which £5,103 million (2018 – £5,937 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £339 million (2018 – £296 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition.

The liability due to Shionogi included £222 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 December 2019 was £4 million (2018 – £15 million). An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out above under "Reporting framework".

Of the contingent consideration payable (on a post-tax basis) at 31 December 2019, £755 million (2018 – £837 million) is expected to be paid within one year. The consideration payable is expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, on a post-tax basis using post-tax discount rates. The Shionogi-ViiV Healthcare contingent consideration liability is discounted at 8.5% and the Novartis Vaccines contingent consideration liability is discounted partly at 8% and partly at 9%.

Net debt

	2019 £m	2018 £m
Cash, cash equivalents and liquid investments	4,786	3,958
Cash, cash equivalents reported in assets held for sale	507	485
Borrowings – repayable within one year	(6,918)	(5,793)
Borrowings – repayable after one year	(23,590)	(20,271)
Net debt	(25,215)	(21,621)

At 31 December 2019, net debt was £25.2 billion, compared with £21.6 billion at 31 December 2018. This comprised gross debt of £30.5 billion and cash and liquid investments of £5.3 billion, including £0.5 billion reported within Assets held for sale. Net debt increased due to the £3.9 billion acquisition of Tesaro Inc as well as £0.2 billion of Tesaro net debt, together with the £1.3 billion impact from the implementation of IFRS 16, the dividend paid to shareholders of £4.0 billion and other net investing activities of £0.1 billion, partly offset by £0.7 billion net favourable exchange impacts from the translation of non-Sterling denominated debt and exchange on other financing items and £5.1 billion of free cash flow.

At 31 December 2019, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £6.9 billion, with loans of £3.2 billion repayable in the subsequent year.

At 31 December 2019, GSK's cash and liquid investments were held as follows:

	2019 £m	2018 £m
Bank balances and deposits	2,565	1,853
Bank balances and deposits reported in assets held for sale	507	485
US Treasury and Treasury repo only money market funds	102	449
Liquidity funds	2,040	1,572
Cash and cash equivalents	5,214	4,359
Liquid investments – Government securities	79	84
	5,293	4,443

Cash and liquid investments of £3.6 billion (2018 – £2.9 billion) were held centrally at 31 December 2019.

The analysis of cash and gross debt after the effects of hedging is as follows.

	2019 £m	2018 £m
Cash and liquid investments	5,293	4,443
Gross debt – fixed[1]	(25,064)	(21,603)
– floating	(5,444)	(4,432)
– non-interest bearing	—	(29)
Net debt	(25,215)	(21,621)

1 Includes £2.1 billion equivalent of notes swapped from floating to fixed rates via interest rate swaps.

Movements in net debt

	2019 £m	2018 £m
Net debt at beginning of year	(21,621)	(13,178)
Implementation of IFRS 16	(1,303)	—
Net debt at beginning of year, as adjusted	(22,924)	(13,178)
Increase in cash and bank overdrafts	826	479
Decrease in liquid investments	(1)	—
Increase in long-term loans	(4,794)	(10,138)
Net repayment of short-term loans	1,065	1,986
Repayment of lease liabilities	214	28
Debt of subsidiary undertakings acquired	(524)	—
Exchange movements	1,015	(776)
Other movements	(92)	(22)
Net debt at end of year	(25,215)	(21,621)

Interest rate benchmark reform

'Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7' was issued by the IASB in September 2019. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

At 31 December 2019, the Group was not directly exposed to interest rate benchmark reform as it held no interest rate derivatives that referenced LIBOR and matured after the end of 2021 and all floating rate bonds were due to mature before the end of 2021.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators, including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission, regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and EURIBOR) to the Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Euro Short-Term Rate (€STR) respectively. The FCA has made it clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

The Group is undertaking an interest rate benchmark transition programme to identify potential exposures within the business and deliver a smooth transition to appropriate alternative benchmark rates.

Total equity

At 31 December 2019, total equity had increased from £3,672 million at 31 December 2018 to £18,357 million.

A summary of the movements in equity is set out below.

	2019 £m	2018 £m
Total equity at beginning of year	3,672	3,489
Implementation of IFRS 15		(4)
Implementation of IFRS 9		(11)
Implementation of IFRS 16	(93)	
Total equity at beginning of year, as adjusted	3,579	3,474
Total comprehensive income for the year	3,701	4,300
Dividends to shareholders	(3,953)	(3,927)
Recognition of interest in Consumer Healthcare Joint Venture	14,969	—
Ordinary shares issued	51	74
Changes in non-controlling interests	(10)	—
De-recognition of liabilities with non-controlling interests	—	(62)
Share-based incentive plans	365	360
Tax on share-based incentive plans	19	2
Contributions from non-controlling interests	—	21
Distributions to non-controlling interests	(364)	(570)
Total equity at end of year	18,357	3,672

Share purchases

No shares were repurchased by the company during 2019. At 31 December 2019, GSK held 393.5 million shares as Treasury shares (2018 – 414.6 million shares), at a cost of £5,505 million (2018 – £5,800 million), which has been deducted from retained earnings.

No ordinary shares were purchased in the period 1 January 2020 to 24 February 2020 and the company does not expect to make any ordinary share repurchases in the remainder of 2020.

In 2019, 21.1 million Treasury shares were transferred to the Employee Share Ownership Plan (ESOP) Trusts. Shares are held by the Trusts to satisfy future exercises of options and awards under the Group share option and award schemes. A proportion of the shares held by the Trusts are in respect of awards where the rules of the scheme require us to satisfy exercises through market purchases rather than the issue of new shares. The shares held by the Trusts are matched to options and awards granted.

At 31 December 2019, the ESOP Trusts held 36.4 million (2018 – 41.5 million) GSK shares against the future exercise of share options and share awards. The carrying value of £135 million (2018 – £161 million) has been deducted from other reserves. The market value of these shares was £647 million (2018 – £619 million).

Contractual obligations and commitments

Financial commitments are summarised in Note 35 to the financial statements, 'Commitments'.

The following table sets out our contractual obligations and commitments at 31 December 2019 as they fall due for payment.

	Total	Under 1 yr	1-3 yrs	3-5 yrs	5 yrs+
	£m	£m	£m	£m	£m
Loans	29,408	6,678	5,883	3,925	12,922
Interest on loans	8,952	780	1,409	1,159	5,604
Finance lease obligations	1,250	240	346	198	466
Future finance charges	223	41	66	42	74
Intangible assets	9,727	578	607	1,502	7,040
Property, plant & equipment	413	378	35	—	—
Investments	47	24	23	—	—
Purchase commitments	1,047	925	121	1	—
Pensions	163	75	88	—	—
Total	51,230	9,719	8,578	6,827	26,106

Commitments in respect of loans and future interest payable on loans are disclosed before taking into account the effect of derivatives.

We have entered into a number of research collaborations to develop new compounds with other pharmaceutical companies. The terms of these arrangements can include upfront fees, equity investments, loans and commitments to fund specified levels of research. In addition, we will often agree to make further payments if future 'milestones' are achieved.

As some of these agreements relate to compounds in the early stages of development, the potential obligation to make milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally, the closer the product is to marketing approval, the greater the probability of success. The amounts shown above within intangible assets represent the maximum that would be paid if all milestones were achieved, and include £4.9 billion which relates to externalised projects in the discovery portfolio. There was an increase in the commitments in 2019 as a result of a number of new R&D collaborations, including with Merck KgaA and Lyell Immunopharma.

In 2018, we reached an agreement with the trustees of the UK pension schemes to make additional contributions, to assist in eliminating the pension deficit identified as part of the 31 December 2017 actuarial funding valuation. The table above includes this commitment but excludes the normal ongoing annual funding requirement in the UK of approximately £130 million. For further information on pension obligations, see Note 30 to the financial statements, 'Pensions and other post-employment benefits'.

Contingent liabilities

Other contingent liabilities are set out in Note 34 to the financial statements, 'Contingent liabilities'.

The following table sets out contingent liabilities, comprising discounted bills, performance guarantees, letters of credit and other items arising in the normal course of business, and when they are expected to expire.

	Total	Under 1 yr	1-3 yrs	3-5 yrs	5 yrs+
	£m	£m	£m	£m	£m
Guarantees	32	4	11	3	14
Other contingent liabilities	65	10	17	8	30
Total	97	14	28	11	44

In the normal course of business, we have provided various indemnification guarantees in respect of business disposals in which legal and other disputes have subsequently arisen. A provision is made where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute and this is included in Note 31 to the financial statements, 'Other provisions'.

We provide for the outcome of tax, legal and other disputes when an outflow of resources is considered probable and a reliable estimate of the outflow may be made. At 31 December 2019, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote.

The ultimate liability for such matters may vary significantly from the amounts provided and is dependent upon negotiations with the relevant tax authorities and the outcome of litigation proceedings, where relevant. This is discussed further in 'Principal risks and uncertainties' under Item 3.D "Risk Factors" above and Note 46 to the financial statements, 'Legal proceedings'.

Treasury policies

We report in Sterling and pay dividends out of Sterling cash flows. The role of Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks in support of our strategic objectives. GSK operates on a global basis, primarily through subsidiary companies, and we manage our capital to ensure that our subsidiaries are able to operate as going concerns and to optimise returns to shareholders through an appropriate balance of debt and equity. Treasury activities are governed by policies approved annually by the Board of Directors, and most recently on 16 October 2019. A Treasury Management Group (TMG) meeting, chaired by our Chief Financial Officer, takes place on a regular basis to review Treasury activities. Its members receive management information relating to these activities.

Treasury operations

The objective of GSK's Treasury activities is to minimise the post-tax net cost of financial operations and reduce its volatility in order to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes, as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

GSK's financial strategy, implemented through the Group's financial architecture, supports GSK's strategic priorities and is regularly reviewed by the Board. We manage the capital structure of the Group through an appropriate mix of debt and equity. We continue to manage our financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. Our cash flow forecasts and funding requirements are monitored by the TMG on a regular basis. Our strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

Each day, we sweep cash from a number of global subsidiaries to central Treasury accounts for liquidity management purposes.

Interest rate risk management

GSK's objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

Foreign exchange risk management

Our objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. Foreign currency transaction exposures arising on external and internal trade flows are selectively hedged. GSK's internal trading transactions are matched centrally and we manage inter-company payment terms to reduce foreign currency risk. Where possible, we manage the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, we seek to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars, Euros and Sterling. Borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas Group assets. The TMG reviews the ratio of borrowings to assets for major currencies regularly.

Counterparty risk management

We set global counterparty limits for each of our banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Treasury's usage of these limits is monitored daily by a Treasury Compliance Officer (TCO) who operates independently of Treasury. Any breach of these limits would be reported to the CFO immediately.

The TCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies Treasury so that changes can be made to investment levels or to authority limits as appropriate. In addition, relationship banks and their credit ratings are reviewed regularly and a report is presented annually to the TMG for approval.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS, as adopted for use in the European Union, and also with IFRS as issued by the International Accounting Standards Board (IASB), following the accounting policies approved by the Board and described in Note 2 to the financial statements, 'Accounting principles and policies'.

We are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

The critical accounting policies relate to the following areas:

- Turnover
- Taxation (Note 14)
- Legal and other disputes (Notes 31 and 46)
- Contingent consideration and put option liabilities (Notes 28 and 32)
- Pensions and other post-employment benefits (Note 30)
- Information on the judgements and estimates made in these areas is given in Note 3 to the financial statements, 'Key accounting judgements and estimates'.

Turnover

In respect of the Turnover accounting policy, our largest business is US Pharmaceuticals, and the US market has the most complex arrangements for rebates, discounts and allowances. The following briefly describes the nature of the arrangements in existence in our US Pharmaceuticals business:

- We have arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Accruals for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates
- Customer rebates are offered to key managed care and Group Purchasing Organisations and other direct and indirect customers. These arrangements require the customer to achieve certain performance targets relating to the value of product purchased, formulary status or pre-determined market shares relative to competitors. The accrual for customer rebates is estimated based on the specific terms in each agreement, historical experience and product growth rates
- The US Medicaid programme is a state-administered programme providing assistance to certain poor and vulnerable patients. In 1990, the Medicaid Drug Rebate Program was established to reduce State and Federal expenditure on prescription drugs. In 2010, the Patient Protection and Affordable Care Act became law. We participate by providing rebates to states. Accruals for Medicaid rebates are calculated based on the specific terms of the relevant regulations or the Patient Protection and Affordable Care Act
- Cash discounts are offered to customers to encourage prompt payment. These are accrued for at the time of invoicing and adjusted subsequently to reflect actual experience
- We record an accrual for estimated sales returns by applying historical experience of customer returns to the amounts invoiced, together with market-related information such as stock levels at wholesalers, anticipated price increases and competitor activity.

A reconciliation of gross turnover to net turnover for the US Pharmaceuticals business is as follows:

	2019		2018		2017	
	£m	Margin %	£m	Margin %	£m	Margin %
Gross turnover	18,471	100	18,227	100	16,365	100
Market-driven segments	(5,976)	(32)	(5,147)	(28)	(4,040)	(25)
Government mandated and state programmes	(4,264)	(23)	(4,594)	(25)	(3,933)	(24)
Cash discounts	(356)	(2)	(361)	(2)	(330)	(2)
Customer returns	(141)	(1)	(98)	(1)	(97)	(1)
Prior year adjustments	247	1	98	1	86	1
Other prior year items	—	—	(59)	—	(23)	—
Other items	(579)	(3)	(613)	(4)	(460)	(3)
Total deductions	(11,069)	(60)	(10,774)	(59)	(8,797)	(54)
Net turnover	7,402	40	7,453	41	7,568	46

Market-driven segments consist primarily of Managed Care and Medicare plans with which we negotiate contract pricing that is honoured via rebates and chargebacks. Mandated segments consist primarily of Medicaid and Federal Government programmes which receive government-mandated pricing via rebates and chargebacks.

The increased deductions in the market-driven segments of the gross turnover to net turnover reconciliation primarily reflected higher rebates and chargebacks on respiratory products, and on *Advair* in particular. A generic version of *Advair* was launched in February 2019, and during the year *Advair* accounted for 7% of US Pharmaceuticals turnover and approximately 27% of the total deduction for rebates and returns. The respiratory portfolio as a whole, including Established Respiratory products, accounted for approximately 79% of the total deduction in the year.

The balance sheet accruals for rebates, discounts, allowances and returns for the US Pharmaceuticals and Vaccines businesses are managed on a combined basis. At 31 December 2019, the total accrual amounted to £4,200 million (2018 – £4,356 million).

A monthly process is operated to monitor inventory levels at wholesalers for any abnormal movements. This process uses gross sales volumes, prescription volumes based on third party data sources and information received from key wholesalers. The aim of this is to maintain inventories at a consistent level from year to year based on the pattern of consumption.

On this basis, US Pharmaceuticals and Vaccines inventory levels at wholesalers and in other distribution channels at 31 December 2019 were estimated to amount to approximately four weeks of turnover. This calculation uses third party information, the accuracy of which cannot be totally verified, but is believed to be sufficiently reliable for this purpose.

Legal and other disputes

In respect of the accounting policy for Legal and other disputes, the following briefly describes the process by which we determine the level of provision that is necessary.

In accordance with the requirements of IAS 37, 'Provisions, contingent liabilities and contingent assets', we provide for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group.

We may become involved in significant legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included in the Annual Report, but no provision would be made.

This position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements.

Like many pharmaceutical companies, we are faced with various complex product liability, anti-trust and patent litigation, as well as investigations of our operations conducted by various governmental regulatory agencies. Throughout the year, the General Counsel of the Group, as head of the Group's legal function, and the Senior Vice President and Head of Global Litigation for the Group, who is responsible for all litigation and government investigations, routinely brief the Chief Executive Officer, the Chief Financial Officer and the Board of Directors on the significant litigation pending against the Group and governmental investigations of the Group.

These meetings, as appropriate, detail the status of significant litigation and government investigations and review matters such as the number of claims notified to us, information on potential claims not yet notified, assessment of the validity of claims, progress made in settling claims, recent settlement levels and potential reimbursement by insurers.

The meetings also include an assessment of whether or not there is sufficient information available for us to be able to make a reliable estimate of the potential outcomes of the disputes. Often, external counsel assisting us with various litigation matters and investigations will also assist in the briefing of the Board and senior management. Following these discussions, for those matters where it is possible to make a reliable estimate of the amount of a provision, if any, that may be required, the level of provision for legal and other disputes is reviewed and adjusted as appropriate. These matters are discussed further in Note 46 to the financial statements, 'Legal proceedings'.

Please refer to the "Financial review 2018" of the GSK Annual Report on Form 20-F for the year ended 31 December 2018 for a comparative discussion of 2018 financial results compared to 2017.

5.B Liquidity and capital resources

The information set forth under the headings "Cash generation and conversion," "Financial position and resources" and "Treasury policies" in Item 5.A of this annual report on Form 20-F is incorporated herein by reference.

The information set forth under the headings:

- "Note 35 – Commitments" on page 216; and
- "Note 43 – Financial instruments and related disclosures" on pages 227 to 243

of the GSK Annual Report 2019 is incorporated herein by reference.

5.C Research and development, patents and licenses, etc.

The information set forth under the headings:

- "Innovation" within:
  - "Our long-term priorities" on the Inside front cover;
  - the "Chairman's statement" on page 3;
  - "Our long-term priorities" on page 9;
  - "Pharmaceuticals" on pages 17 to 21;
  - "Vaccines" on pages 23 to 25; and
  - "Consumer Healthcare" on pages 27 to 28;
- "Performance" within:
  - "Our long-term priorities" on the Inside front cover;
  - "Our long-term priorities" on page 9 (excluding the pro-forma figure in the first bullet point under the sub-heading "2019 progress" under "Performance");
  - "Pharmaceuticals" on page 22;
  - "Vaccines" on page 26; and
  - "Consumer Healthcare" on pages 28 to 29 (excluding the second sentence in the first paragraph under the sub-heading "Performance" on page 28);
- "Pharmaceuticals and Vaccines product development pipeline" on pages 269 to 271;
- "Pharmaceutical products, competition and intellectual property" on pages 272 to 273;
- "Vaccines products, competition and intellectual property" on page 273; and

- "Consumer Healthcare products and competition" on page 274

of the GSK Annual Report 2019 is incorporated herein by reference.

5.D Trend information

The information set forth under the heading "Group Financial Review" in Item 5.A of this annual report on Form 20-F is incorporated herein by reference.

5.E Off-balance sheet arrangements

Not applicable.

5.F Tabular disclosure of contractual obligations

The information set forth under the heading “Contractual obligations and commitments” in Item 5.A on this annual report on Form 20-F is incorporated herein by reference.

Item 6. Directors, Senior Management and Employees

6.A Directors and senior management

The information set forth under the headings:

- “Our Board” on pages 79 to 81; and
- “Our Corporate Executive Team” on pages 82 to 83

of the GSK Annual Report 2019 is incorporated herein by reference.

6.B Compensation

- “Remuneration report” on pages 115 to 150 (excluding the words after “CER” in the third bullet point in the table titled “Financial performance” on page 122);
- “2020 Remuneration policy summary” on page 140; and
- “Remuneration policy report” on pages 141 to 150

of the GSK Annual Report 2019 is incorporated herein by reference.

6.C Board practices

The information set forth under the heading:

- “Corporate governance” on pages 75 to 114 (excluding the heading and the information under the heading “Section 172 statement” on pages 111 to 112); and
- “Additional remuneration disclosures” on page 128; and
- “Donations to political organisations and political expenditure” on page 298

of the GSK Annual Report 2019 is incorporated herein by reference.

6.D Employees

The information set forth under the headings:

- “Note 9 – Employee costs” on page 185;
- “Note 30 – Pensions and other post-employment benefits” on pages 205 to 213; and
- “Number of employees” under “Five year record” on page 265

of the GSK Annual Report 2019 is incorporated herein by reference.

6.E Share ownership

The information set forth under the headings:

- “Note 44 – Employee share schemes” on pages 244 to 245;
- “2019 Total remuneration” on pages 119 to 120;
- “Value earned from Long Term Incentives (LTIs)” on page 124;
- “Update on performance of ongoing LTI awards” and “Performance updates” on page 125; and
- “Directors’ interests in shares” on pages 137 to 138

of the GSK Annual Report 2019 is incorporated herein by reference.

Item 7. Major Shareholders and Related Party Transactions

7.A Major shareholders

The information set forth under the headings:

- “Change of control and essential contracts” on page 113;
- “Share capital and control” on pages 288 to 289; and
- “Analysis of shareholdings at 31 December 2019” on page 290

of the GSK Annual Report 2019 is incorporated herein by reference.

7.B Related party transactions

The information set forth under the heading:

- “Note 39 – Related party transactions” on page 222

of the GSK Annual Report 2019 is incorporated herein by reference.

7.C Interests of experts and counsel

Not applicable.

Item 8. **Financial Information**

8.A Consolidated Statements and Other Financial Information:

See Item 18 below.

In addition, the information set forth under the headings:

- "Note 46 – Legal proceedings" on pages 247 to 251; and
- "Dividends" on page 290

of the GSK Annual Report 2019 is incorporated herein by reference.

8.B Significant Changes

The information set forth under the heading:

- "Note 46 – Legal proceedings" on pages 247 to 251

of the GSK Annual Report 2019 is incorporated herein by reference.

Item 9. The Offer and Listing

9.A Offer and listing details

The information set forth under the headings:

- "Market capitalisation" on page 289; and
- "Nature of trading market" on page 289

of the GSK Annual Report 2019 is incorporated herein by reference.

The trading symbol for GSK's Ordinary Shares of 25p each on the London Stock Exchange is GSK.L and the trading symbol for GSK's ADSs on the New York Stock Exchange is GSK.

9.B Plan of distribution

Not applicable.

9.C Market**s**

The information set forth under the headings:

- The second paragraph under "Share capital and control" on page 288; and
- "Nature of trading market" on page 289

of the GSK Annual Report 2019 is incorporated herein by reference.

9.D Selling shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the issue

Not applicable.

Item 10. **Additional Information**

10.A Share Capital

Not applicable.

10.B Articles of Association of GlaxoSmithKline plc

The following is a summary of the principal provisions of the company's Articles of Association (the "Articles"). Shareholders should not rely on this summary, but should instead refer to the current Articles which are filed with the Registrar of Companies in the UK and can be viewed on the company's website. The Articles contain the fundamental provisions of the company's constitution, and the rules for the internal management and control of the company. The company has no statement of objects in its Articles and accordingly its objects are unrestricted in accordance with the provisions of the Companies Act 2006.

(a) Voting

All resolutions put to the vote at general meetings, including electronic general meetings (see paragraph (h)), will be decided by poll. On a poll, every shareholder who is present in person or by proxy or, in the case of an electronic general meeting, who participates or is represented by proxy via an electronic platform shall have one vote for every Ordinary Share of which he or she is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand on the register. Unless the Directors otherwise decide, the right to attend a general meeting and voting rights may not be exercised by a shareholder who has not paid to the company all calls and other sums then payable by him or her in respect of his or her Ordinary Shares. The right to attend a general meeting and voting rights may not be exercised by a shareholder who is subject to an order under Section 794 of the Companies Act 2006 because he or she has failed to provide the company with information concerning his or her interests in Ordinary Shares within the prescribed period, as required by Section 793 of the Companies Act 2006.

(b) Transfer of Ordinary Shares

Any shareholder may transfer his or her Ordinary Shares which are in certificated form by an instrument of transfer in any usual form or in any other form which the Directors may approve. Such instrument must be properly signed and stamped or certified (or otherwise shown to the satisfaction of the Directors as being exempt from stamp duty) and lodged with the company together with the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Any member may transfer title to his or her uncertificated Ordinary Shares by means of a relevant system, such as CREST.

The transferor of a share is deemed to remain the holder until the transferee's name is entered on the register. The Directors may decline to register any transfer of any Ordinary Share which is not fully paid.

Registration of a transfer of uncertificated Ordinary Shares may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated Ordinary Share is to be transferred exceeds four.

The Articles contain no other restrictions on the transfer of fully paid certificated Ordinary Shares provided: (i) the instrument of transfer is duly stamped or certified or otherwise shown to the satisfaction of the Directors to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Directors may reasonably require; (ii) the transfer, if to joint transferees, is in favour of not more than four transferees; (iii) the instrument of transfer is in respect of only one class of shares; and (iv) the holder of the Ordinary Shares is not subject to an order under Section 794 of the Companies Act 2006. Notice of refusal to register a transfer must be sent to the transferee within two months of the instrument of transfer being lodged. The Directors may decline to register a transfer of Ordinary Shares by a person holding 0.25 per cent. or more of the existing Ordinary Shares if such person is subject to an order under Section 794 Companies Act 2006, after failure to provide the company with information concerning interests in those Ordinary Shares required to be provided under Section 793 of the Companies Act 2006, unless the transfer is carried out pursuant to an arm's length sale.

Provisions in the Articles will not apply to uncertificated Ordinary Shares to the extent that they are inconsistent with:

(i) the holding of Ordinary Shares in uncertificated form;

(ii) the transfer of title to Ordinary Shares by means of a system such as CREST; and

(iii) any provisions of the relevant regulations.

(c) Dividends and distribution of assets on liquidation

The profits of the company which are available for distribution and permitted by law to be distributed and which the company may by ordinary resolution from time to time declare, upon the recommendation of the Directors to distribute by way of dividend, in respect of any accounting reference period shall be distributed by way of dividend among holders of Ordinary Shares.

If in their opinion the company's financial position justifies such payments, the Directors may, as far as any applicable legislation allows, pay interim dividends on shares of any class of such amounts and in respect of such periods as they think fit. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared, apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. As the company has only one class of Ordinary Shares, the holders of such Ordinary Shares will be entitled to participate in any surplus assets on a winding-up in proportion to their shareholdings.

(d) Variation of rights and changes in capital

Subject to the provisions of any statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company (the "Companies Acts"), the rights attached to any class of shares may be varied with the written consent of the holders of

three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At every such separate meeting, the provisions of the Articles relating to general meetings shall apply, except the necessary quorum shall be at least two persons entitled to vote and holding or representing as proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) (but provided that at any adjourned meeting one holder of shares of the relevant class present in person or by proxy shall be a quorum).

The rights conferred upon the holders of any Ordinary Shares shall not, unless otherwise expressly provided in the rights attaching to those Ordinary Shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

(e) Unclaimed dividends

All dividends or other sums payable on or in respect of any Ordinary Shares which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. Unless the Directors decide otherwise, any dividend or other sums payable on or in respect of any Ordinary Shares unclaimed after a period of 12 years from the date when declared or became due for payment will be forfeited and revert to the company. The company may stop sending dividend cheques or warrants by post, or employ such other means of payment in respect of any Ordinary Shares, if at least two consecutive payments have remained uncashed or are returned undelivered or if one payment has remained uncashed or is returned undelivered and the company cannot establish a new address for the holder after making reasonable enquiries; however, in either case, the company must resume sending cheques or warrants or employ such other means of payment if the holder or any person entitled to the Ordinary Shares by transmission requests the resumption in writing.

(f) Untraced shareholders

The company may sell any certificated Ordinary Shares in the company after using reasonable efforts to trace the holder of, or person entitled by transmission to, the Ordinary Shares and sending a notice to the registered address or last known address of the holder or other person entitled in accordance with the requirements of the Articles and waiting for three months if the Ordinary Shares have been in issue for at least ten years and during that period at least three dividends have become payable on them and have not been claimed or satisfied and, so far as any Director is aware, the company has not received any communication from the holder of the Ordinary Shares or any person entitled to them by transmission. Upon any such sale, the company will become indebted to the former holder of the Ordinary Shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale unless and until forfeited. If no valid claim for the money has been received by the company during a period of six years from the date on which the relevant shares were sold by the company, the money will be forfeited and will belong to the company.

(g) Limitations on rights of non-resident or foreign shareholders

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders except that there is no requirement for the company to serve notices on shareholders outside the United Kingdom and the United States, if no postal address in the United States or United Kingdom has been provided to the company. The company may choose not to serve, send or supply any notice to a particular shareholder where it considers this necessary or appropriate to deal with legal, regulatory or practical problems in, or under the laws of, any territory.

(h) General meetings of shareholders

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meeting. The company is required by the Companies Act 2006 to hold an annual general meeting each year. General meetings of shareholders may be called as necessary by the Directors and must be called promptly upon receipt of a requisition from shareholders. Under the Companies Act 2006, an annual general meeting must be called by notice of at least 21 clear days. A general meeting other than an annual general meeting may be called on not less than 14 clear days' notice provided a special resolution reducing the notice period to 14 clear days has been passed at the immediately preceding annual general meeting or a general meeting held since that annual general meeting. The Directors may determine that a general meeting shall be held as a physical meeting or in combination with an electronic platform or platforms that enables members to participate in the meeting without physically attending (an electronic general meeting).

(i) Conflicts of interest

The Directors may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his or her duty under the Companies Acts to avoid conflicts of interest (each a "Conflict"). A Director seeking authorisation in respect of a Conflict shall declare to the other Directors the nature and extent of his or her Conflict as soon as is reasonably practicable and shall provide the other Directors with such details of the matter as are necessary to decide how to address the Conflict. The board may resolve to authorise the

relevant Director in relation to any matter the subject of a Conflict, save that the relevant Director and any other Director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority, and, if the other Directors so decide, shall be excluded from any meeting of the Directors while the Conflict is under consideration.

(j) Other Conflicts of Interest

Subject to the provisions of the Companies Acts, and provided the nature and extent of a Director's interest has been declared to the Directors, a Director may:

(i) be party to, or otherwise interested in, any contract with the company, or in which the company has a direct or indirect interest;

(ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including remuneration, as the Directors may decide;

(iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);

(iv) be or become a director of, or employed by, or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and

(v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as director of that other company.

No contract in which a Director is interested shall be liable to be avoided, and any Director who is so interested is not liable to account to the company or its shareholders for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established. However, no Director may vote on, or be counted in the quorum, in relation to any resolution of the board relating specifically to his or her own appointment (including remuneration) or the terms of his or her termination of appointment or relating to any contract in which he or she has an interest (subject to certain exceptions).

Subject to the Companies Acts, the company may by ordinary resolution suspend or relax to any extent the provisions relating to directors' interests or restrictions on voting or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(k) Directors' remuneration

Each of the Directors will be paid a fee at such rate as may from time to time be determined by the Directors, but the total fees paid to all of the directors for acting as directors (including amounts paid to any director who acts as chairman or is chairman of, or serves on any committee of the board of directors but excluding any amounts paid under any other provision of the Articles) shall not exceed the higher of:

(i) £3 million a year; and

(ii) any higher amount as the company may by ordinary resolution decide. Such fees may be satisfied in cash or in shares or any other non-cash form. Any Director who is appointed to any executive office, acts as Chairman, acts as senior independent director, acts as a scientific/medical expert on the board, is Chairman of, or serves on any committee of the Directors or performs any other services which the Directors consider to extend beyond the ordinary services of a Director shall be entitled to receive such remuneration (whether by way of salary, commission or otherwise) as the Directors may decide. Each Director may be paid reasonable travelling, hotel and other incidental expenses he or she incurs in attending and returning from meetings of the Directors or committees of the Directors, or general meetings of the company, or otherwise incurred in connection with the performance of his or her duties for the company.

(l) Pensions and gratuities for Directors

The Directors or any committee authorised by the Directors may provide benefits by the payment of gratuities, pensions or insurance or in any other manner for any Director or former Director or their relations, connected persons or dependants, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office or place of profit under the company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the company.

(m) Borrowing powers

Subject to the provisions of the Companies Act 2006, the Directors may exercise all the company's powers to borrow money; to mortgage or charge all or any of the company's undertaking, property (present and future), and uncalled capital; to issue debentures and other securities; and to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

(n) Retirement and removal of Directors

A Director is subject to re-election at every annual general meeting of the company

In addition to any power of removal conferred by the Companies Acts the company may by special resolution remove any Director before the expiration of his or her period of office. No Director is required to retire by reason of his or her age, nor do any special formalities apply to the appointment or re-election of any Director who is over any age limit. No shareholding qualification for Directors shall be required.

(o) Vacation of office

The office of a director shall be vacated if:

(i) he resigns or offers to resign, and the board resolves to accept such offer;

(ii) his resignation is requested by all of the other directors and all of the other directors are not less than three in number;

(iii) he is or has been suffering from mental or physical ill health and the board resolves that his office be vacated;

(iv) he is absent without permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated;

(v) he becomes bankrupt or compounds with his creditors generally;

(vi) he is prohibited by law from being a director; or

(vii) he is removed from office pursuant to the Articles or the Companies Acts.

(p) Share rights

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the board may decide. Such rights and restrictions shall apply as if they were set out in the Articles. Redeemable shares may be issued, subject to any rights attached to existing shares. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if they were set out in the Articles. Subject to the articles, any resolution passed by the shareholders and other shareholders' rights, the Board may decide how to offer, allot, grant options over or otherwise deal with any shares in the company.

10.C Material contracts

Agreements with Novartis

On April 22, 2014, GSK and Novartis AG ("Novartis") entered into a three-part, inter-conditional transaction, pursuant to which they executed an implementation agreement, a contribution agreement relating to a consumer healthcare joint venture, a share and business sale agreement relating to the vaccines business of Novartis, a sale and purchase agreement relating to the oncology business of GSK, a put option deed relating to the influenza vaccines business of Novartis and a shareholders' agreement. GSK's shareholders approved the Transaction on December 18, 2014. The transaction closed on March 2, 2015.

Under the terms of the shareholders' agreement, Novartis had the right to require GSK to purchase its shares in the consumer healthcare joint venture. On June 1, 2018, GSK acquired 100% of the shares in GlaxoSmithKline Consumer Healthcare Holdings Limited ("GSK Consumer Healthcare") following cancellation of Novartis's shares under the terms of a put option implementation agreement among GSK, Novartis and GSK Consumer Healthcare, among others.

GSK continues to have obligations to pay further sales and milestone-based consideration to Novartis under the share and business sale agreement relating to the vaccines business of Novartis.

Agreement with Pfizer

On December 19, 2018, GSK, GSK Consumer Healthcare and Pfizer Inc. ("Pfizer") entered into a Stock and Asset Purchase Agreement (the "SAPA") pursuant to which the parties agreed to form a consumer healthcare joint venture through the acquisition by GSK Consumer Healthcare from Pfizer of Pfizer's consumer healthcare business and the transfer by GSK to GSK Consumer Healthcare of those parts of the GSK consumer healthcare business not already part of GSK Consumer Healthcare as of the date of the SAPA (with certain limited exceptions). As consideration for the acquisition of its consumer healthcare business, Pfizer received shares in GSK Consumer Healthcare representing a 32% ownership interest in the joint venture. GSK retained a controlling interest in GSK Consumer Healthcare of 68%. On July 31, 2019, the parties entered into an amendment to the SAPA, pursuant to which: (i)

GSK Consumer Healthcare transferred by novation to GlaxoSmithKline Consumer Healthcare Holdings (No. 2) Limited ("GSK Consumer Healthcare (No. 2)") all rights, title, interest, obligations duties and liabilities of GSK Consumer Healthcare under and in respect of the SAPA, (ii) the parties released GSK Consumer Healthcare from its obligations under the SAPA in exchange for GSK Consumer Healthcare (No. 2)'s assumption thereof and (iii) certain other amendments to the SAPA and other arrangements in connection with the closing of the transaction, including in relation to the delayed legal completion of the transaction in a number of jurisdictions due to regulatory constraints. The transaction closed on July 31, 2019.

Each of GSK and Pfizer has given customary and broadly reciprocal representations and warranties to each other under the SAPA. GSK and Pfizer have agreed to indemnify each other and GSK Consumer Healthcare (No. 2) (as applicable) in respect of losses (other than certain losses arising from tax matters, which are subject to a specific indemnity under the SAPA) relating to: (i) certain liabilities which the parties have agreed will be retained by GSK or Pfizer; (ii) any breach of their respective covenants or agreements under the SAPA or the related ancillary agreements implementing the SAPA; or (iii) any breach of their respective representations and warranties given under the SAPA or the related ancillary agreements implementing the SAPA as of the date of completion of the transaction. GSK Consumer Healthcare (No. 2) has agreed to indemnify GSK and Pfizer in respect of losses (other than certain losses arising from tax matters, which are subject to a specific indemnity under the SAPA) relating to: (i) liabilities which GSK Consumer Healthcare (No. 2) has agreed to assume in connection with the transaction; (ii) liabilities resulting from the conduct of GSK Consumer Healthcare's business other than those liabilities that GSK has agreed to retain in connection with the transaction; and (iii) any breach of GSK Consumer Healthcare (No.2)'s post-completion covenants or agreements under the SAPA or the related ancillary agreements implementing the SAPA.

In connection with the closing of the transaction on July 31, 2019, GSK, Pfizer, GSK Consumer Healthcare and GSK Consumer Healthcare (No. 2) entered into a Shareholders' Agreement in relation to the consumer healthcare joint venture (the "Shareholders' Agreement"). Under the terms of the Shareholders' Agreement, GSK has the right to appoint six directors to the board of the joint venture and the right to appoint the chair of the board of the joint venture, and Pfizer has the right to appoint three directors to the board of the joint venture. The Shareholders' Agreement contains a list of customary reserved matters that may not be undertaken by the joint venture without the prior approval of Pfizer.

The joint venture is permitted to make external borrowings up to an aggregate amount of £300 million, with external borrowings in excess of this level requiring Pfizer's consent. In the event that the joint venture requires additional funding, the funding will be requested from GSK and Pfizer pro rata to their respective shareholdings. GSK and Pfizer will each be entitled to provide all (but not some only) of its proportion of the requested funds, but neither party will be obliged to provide such funding. Dividends will be paid to the shareholders in proportion to their respective interests in ordinary shares, and all readily available cash in excess of an agreed base cash figure of £300 million will be distributed subject to the availability of distributable reserves, there being no outstanding shareholder loans and after the payment of any dividends required to be paid on certain low-coupon preference shares held by GSK.

Under the Shareholders' Agreement, each of GSK and Pfizer have agreed, subject to customary carve-outs, not to compete with the business of the consumer healthcare joint venture for a period of three years after completion of the transaction and not to acquire a business or interest in an entity in a competing business of the joint venture for six years after completion of the transaction.

At any time from completion of the transaction, GSK will have the right to require the listing and admission to trading of the shares of GSK Consumer Healthcare on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange (a "Separation"). From five years from completion of the transaction, Pfizer will have the right to require a Separation. From 15 years after completion of the transaction, GSK will be entitled to require Pfizer to sell to GSK its entire shareholding in the consumer healthcare joint venture at a price reflecting the fully distributed public trading equity value of the joint venture at the relevant time. Neither GSK nor Pfizer may transfer its shares in the joint venture without the other's consent.

The Shareholders' Agreement will terminate immediately in the event that (i) only GSK or Pfizer remain holding shares in the joint venture or (ii) the shares of the joint venture have been listed and admitted to trading on a recognized stock exchange.

10.D Exchange controls

The information set forth under the heading "Exchange controls and other limitations affecting security holders" on page 288 of the GSK Annual Report 2019 is incorporated herein by reference.

10.E Taxation

The information set forth under the heading "Tax information for shareholders" on pages 292 to 293 of the GSK Annual Report 2019 is incorporated herein by reference.

10.F Dividends and paying agents

Not applicable.

10.G Statement by experts

Not applicable.

10.H Documents on display

The information set forth under the heading “Documents on display” on page 291 of the GSK Annual Report 2019 is incorporated herein by reference.

10.I Subsidiary information

Not applicable.

Item 11. **Quantitative and Qualitative Disclosures About Market Risk**

The information set forth under the heading “Treasury policies” in Item 5.A of this annual report in Form 20-F is incorporated herein by reference.

The information set forth under the heading:

- “Note 43 – Financial instruments and related disclosures” on pages 227 to 243

of the GSK Annual Report 2019 is incorporated herein by reference.

Item 12. **Description of Securities Other than Equity Securities**

12.A Debt Securities

Not applicable.

12.B Warrants and Rights

Not applicable.

12.C Other Securities

Not applicable.

12.D American Depositary Shares

Fees and charges payable by ADR holders

JPMorgan Chase Bank, N.A. serves as the depositary (the “Depositary”) for GSK’s American Depositary Receipt (“ADR”) programme. On July 29, 2019, GSK and the Depositary amended and restated the deposit agreement (the “Deposit Agreement”) between GSK, the Depositary and owners and holders of ADRs. Pursuant to the Deposit Agreement, ADR holders may be required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. In particular, the Depositary, under the terms of the Deposit Agreement, shall charge (i) a fee of $5.00 per 100 American Depositary Shares (or portion thereof) for the issuance, delivery, reduction, cancellation or surrender (as the case may be) of American Depositary Shares (“ADSs”), (ii) a fee of U.S.$0.05 or less per ADS held (A) upon which any cash distribution is made pursuant to the Deposit Agreement or (B) in the case of an elective cash/stock dividend, upon which a cash distribution or an issuance of additional ADSs is made as a result of such elective dividend, (iii) a fee for the distribution or sale of securities, such fee being in an amount equal to the fee for the execution and delivery of ADSs referred to above which would have been charged as a result of the deposit of such securities but which securities or the net cash proceeds from the sale thereof are instead distributed by the Depositary to ADR holders entitled thereto, (iv) an aggregate fee of U.S.$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the Depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against ADR holders as of the record date or record dates set by the Depositary during each calendar year and shall be payable at the sole discretion of the Depositary by billing such Holders or by deducting such charge from one or more cash dividends or other cash distributions), and (v) a fee for the reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of its agents (including, without limitation, the agent or agents of the Depositary (the “Custodian”) and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the ordinary shares or other Deposited Securities, the sale of securities (including, without limitation, Deposited Securities), the delivery of Deposited Securities or otherwise in connection with the Depositary’s or its Custodian’s compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions).

GSK will pay other charges and out of pocket expenses of the Depositary and any agent of the Depositary (except the Custodian) as specified in written agreements from time to time between GSK and the Depositary, except (i) stock transfer or other taxes and other governmental charges (which are payable by ADR holders or persons depositing ordinary shares), (ii) SWIFT, cable, telex and facsimile transmission and delivery charges incurred at the request of persons depositing, or ADR holders delivering ordinary shares, ADRs or Deposited Securities (which are payable by such persons or ADR holders), (iii) transfer or registration fees for the registration or transfer of Deposited Securities on any applicable register in connection with the deposit or withdrawal of Deposited Securities (which are payable by persons depositing ordinary shares or ADR holders withdrawing Deposited Securities) and (iv) in connection with the conversion of foreign currency into U.S. dollars, the Depositary shall deduct out of such foreign currency the fees, expenses and other charges charged by it and/or its agent (which may be a division, branch or affiliate) so appointed in connection with such conversion. The Depositary and/or its agent may act as principal for such conversion of foreign currency. Such charges may at any time and from time to time be changed by agreement between GSK and the Depositary.

Direct and indirect payments by the Depositary

The Depositary anticipates reimbursing GSK for certain expenses incurred by GSK that are related to the establishment and maintenance of the ADR program upon such terms and conditions as GSK and the Depositary may agree from time to time. The Depositary may make available to GSK a set amount or a portion of the Depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as GSK and the Depositary may agree from time to time. In 2019, The Bank of New York, the depositary under the Deposit Agreement prior to the appointment of JPMorgan Chase Bank, N.A. on July 29, 2019, made payments to GSK of approximately $7.55 million,. The Depositary made a payment of approximately $3.34 million in 2020 which were related to expenses reimbursed and fees collected in connection with services provided in 2019.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by GSK, GSK is required to repay certain amounts paid to GSK and to compensate the Depositary for payments made or services provided on behalf of GSK.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

The information set forth under the heading “Internal framework for control and risk management developments” on pages 97 to 98 of the GSK Annual Report 2019 is incorporated herein by reference.

US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the New York Stock Exchange (the “NYSE”) in the form of American Depositary Shares.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the USA, provided that we explain any significant variations. This explanation is contained in Item 16.G of this Form 20-F. NYSE rules that came into effect in 2005 require us to file annual and interim written affirmations concerning the Audit & Risk Committee and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the USA, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the Securities and Exchange Commission (the “SEC”), the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the Audit & Risk Committee. It is chaired by the Company Secretary and the members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend its meetings periodically. It has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the GSK Annual Report 2019 and Form 20-F. In 2019 the Committee met 18 times.

Sarbanes-Oxley requires that this annual report on Form 20-F contain a statement as to whether a member of our Audit & Risk Committee ("ARC") is an audit committee financial expert as defined by Sarbanes-Oxley. For a summary regarding the Board's judgment on this matter, please refer to Item 16.A below and to page 81 in the biography for "Judy Lewent," and page 96 under "Judy Lewent, Audit & Risk Committee Chair" of the GSK Annual Report 2019.

Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley also introduced a requirement for the CEO and the CFO to complete formal certifications, confirming that:

- they have each reviewed the GSK Annual Report 2019 and Form 20-F;
- based on their knowledge, the GSK Annual Report 2019 and Form 20-F contain no material misstatements or omissions;
- based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the GSK Annual Report 2019 and Form 20-F;
- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the GSK Annual Report 2019 and Form 20-F;
- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- they have disclosed in the GSK Annual Report 2019 and Form 20-F any changes in internal controls over financial reporting during the period covered by the GSK Annual Report 2019 and Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting; and
- they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditors and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company's ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company's internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2019.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Group's evaluation, the CEO and CFO have concluded that, as at December 31, 2019, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that the Group files and submits under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarised and reported as and when required and that it is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure.

The CEO and CFO completed these certifications on March 6, 2019.

Section 404: Management's annual report on internal control over financial reporting.

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934):

- management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;

- management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- management has assessed the effectiveness of internal control over financial reporting, as at 31 December 2019 and has concluded that such internal control over financial reporting was effective. In addition, there have been no changes in the Group's internal control over financial reporting during 2019 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting; and
- Deloitte LLP, which has audited the consolidated financial statements of the Group for the year ended December 31, 2019, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard No. 2201 of the Public Company Accounting Oversight Board (United States). Their audit report can be found below.

On July 31, 2019, the Company completed a transaction with Pfizer to combine their consumer healthcare businesses into a joint venture. The Company is in the process of evaluating the existing controls and procedures of the Pfizer consumer healthcare business and integrating the Pfizer consumer healthcare business into the Company's internal control environment over financial reporting. In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management's assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, the Company has excluded this business from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2019. The Pfizer consumer healthcare business combined represented 22% of the Company's total assets as of December 31, 2019, and 4% of the Company's turnover for the year ended December 31, 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of GlaxoSmithKline plc

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of GlaxoSmithKline plc and subsidiaries (the "Group") as at 31 December 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as at 31 December 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the year ended 31 December 2019, of the Group and our report dated 6 March 2020, expressed an unqualified opinion on those financial statements.

As described *in Section 404: Management's annual report on internal control over financial reporting*, management excluded from its assessment the internal control over financial reporting of the Consumer Healthcare business acquired from Pfizer Inc. on 31 July 2019 (the "Pfizer Consumer Healthcare business"), and whose financial statements constitute 22% of total assets and 4% of turnover of the consolidated financial statement amounts as at and for the year ended 31 December 2019. Accordingly, our audit did not include the internal control over financial reporting at the acquired Pfizer Consumer Healthcare business.

Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "*Section 404: Management's annual report on internal control over financial reporting*" included in Item 15 of the Form 20-F. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

London, United Kingdom
6 March 2020

Item 16.A **Audit committee financial expert**

The information set forth under the heading:

- "Membership" within the "Audit & Risk Committee Report" on page 96; and

- "Sarbanes-Oxley Act of 2002" on page 296

of the GSK Annual Report 2019 is incorporated herein by reference.

Item 16.B **Code of Ethics**

The information set forth under the heading "Code of Conduct and reporting lines" on page 104 of the GSK Annual Report 2019 is incorporated herein by reference. You will find the Code of Conduct at this link: https://www.gsk.com/en-gb/about-us/policies-codes-and-standards/.

No waivers were granted from a provision of our code of ethics to an officer or person described in Item 16B(a) that relates to one or more of the items set forth in Item 16B(b) in 2017.

Item 16.C **Principal Accountant Fees and Services**

Audit Fees for 2017 were paid to PricewaterhouseCoopers LLP and for 2018 and 2019 were paid to Deloitte LLP.

16C(a) Audit Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the rows named "Audit of parent company and consolidated financial statements", "Audit of the company's subsidiaries" and "Attestation under s.404 of Sarbanes-Oxley Act 2002" in Note 8 – "Operating profit" on page 184 of the GSK Annual Report 2019 is incorporated herein by reference.

16C(b) Audit-Related Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the row named "Other assurance services" in Note 8 – "Operating profit" on page 184 of the GSK Annual Report 2019 is incorporated herein by reference. The other assurance services provided by the auditor relate to agreed upon procedures and other assurance services outside of statutory audit requirements.

16C(c) Tax Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the rows named "Taxation compliance" and "Taxation advice" in Note 8 – "Operating profit" on page 184 of the GSK Annual Report 2019 is incorporated herein by reference.

16C(d) All Other Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the row named "All other services" in Note 8 – "Operating profit" on page 184 of the GSK Annual Report 2019 is incorporated herein by reference. All other services provided by the auditor primarily related to advisory services for the year-ended 31 December 2019.

16C(e) The information set forth under the heading "Non-audit services" on page 104 of the GSK Annual Report 2019 is incorporated herein by reference.

16C(f) Not applicable.

Item 16.D **Exemptions from the Listing Standards for Audit Committees**

Not applicable.

Item 16.E **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

Item 16.F **Change in Registrant's Certifying Accountant**

Not applicable.

Item 16.G **Corporate Governance**

Comparison of New York Stock Exchange Corporate Governance Standards and GlaxoSmithKline plc's corporate governance practice.

On November 4, 2003, the New York Stock Exchange (the "NYSE") adopted new corporate governance standards. The application of the NYSE's standards is restricted for foreign companies, recognizing that they have to comply with domestic requirements. As a foreign private issuer, GlaxoSmithKline plc ("GlaxoSmithKline" or the "Company") must comply with the following NYSE standards:

1. the Company must satisfy the audit committee requirements of the SEC;

2. the Chief Executive Officer (the "CEO") must promptly notify the NYSE in writing after any executive officer of the Company becomes aware of any non-compliance with any applicable provisions of the NYSE's corporate governance standards;

3. the Company must submit an annual affirmation to the NYSE affirming GlaxoSmithKline's compliance with applicable NYSE corporate governance standards, and submit interim affirmations to the NYSE notifying it of specified changes to the audit committee or a change to the status of the Company as a foreign private issuer; and

4. the Company must provide a brief description of any significant differences between its corporate governance practices and those followed by US companies under the NYSE listing standards.

As a Company listed on the London Stock Exchange, GlaxoSmithKline is required to comply with the UK Listing Authority's Listing Rules (the "Listing Rules") and to report non-compliance with the UK Corporate Governance Code (the "UK Code").

The table below discloses differences between GlaxoSmithKline's current domestic corporate governance practices, which are based on the UK Code, and the NYSE corporate governance standards, applicable to US companies.

NYSE Corporate Governance Standards	**Description of differences between GlaxoSmithKline's governance practice and the NYSE Corporate Governance Standards**
Director Independence (303A.01 of NYSE Manual)	
1. Listed companies must have a majority of independent directors (as defined in Exchange Act Rule 10A-3 under the U.S Securities Exchange Act of 1934, as amended (the "Exchange Act")).	GlaxoSmithKline complies with the equivalent domestic requirements contained in the UK Corporate Governance Code (the "UK Code"), the latest version of which was issued in July 2018. The UK Code provides that the board of directors of GlaxoSmithKline (the "Board") and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of the service of the Board and membership should be regularly refreshed (Principle K). The Board should include an appropriate combination of Executive and Non-Executive Directors and, in particular, "independent" Non-Executive Directors (for the purpose of the UK Code) such that no individual or small group of individuals can dominate the Board's decision taking. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of GlaxoSmithKline's business (Principle G). At least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent (Provision 11). The roles of Chairman and Chief Executive should not be exercised by the same individual. If, exceptionally, this is proposed by the Board, major shareholders should be consulted ahead of appointment (Provision 9). The current Chairman of the Board, Sir Jonathan Symonds, was considered independent on appointment (Provision 9). The Board considers that Vindi Banga, Dr Vivienne Cox, Lynn Elsenhans, Dr Laurie Glimcher, Dr Jesse Goodman, Judy Lewent, and Urs Rohner are independent for the purpose of the UK Code. A majority of the Board members are independent Non-Executive Directors and, in accordance with the requirements of the UK Code, the Board has appointed one of the independent Non-Executive Directors as Senior Independent Director to provide a sounding board for the Chairman and act as an intermediary for other Directors and shareholders where necessary (Provision 12). In January 2012 the Board adopted a formal written role specification for the Senior Independent Director.

NYSE Independence Tests (303A.02 of the NYSE Manual)

2. In order to tighten the definition of "independent director" for purposes of these standards:

   (a) (i) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

   (ii) In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

(A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and

(B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

   (b) In addition, a director is not independent if:

   (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.

   (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

   (iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.

   (iv) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.

   (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.

(For the purposes of these standards "executive officer" is defined to have the meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, the "Exchange Act").

GlaxoSmithKline complies with the corresponding domestic requirements contained in the UK Code, which sets out the principles for GlaxoSmithKline to determine whether a director is independent.

The Board is required to identify each Non-Executive Director it considers to be independent. Circumstances which are likely to impair, or could appear to impair a non-executive director's independence include, but are not limited to, whether a director:

(a) is or has been an employee of GlaxoSmithKline within the last five years;

(b) has, or has had within the last three years, a material business relationship with GlaxoSmithKline either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with GlaxoSmithKline;

(c) has received or receives additional remuneration from GlaxoSmithKline apart from a director's fee, participates in GlaxoSmithKline's share option or a performance-related pay scheme, or is a member of GlaxoSmithKline's pension scheme;

(d) has close family ties with any of GlaxoSmithKline's advisers, directors or senior employees;

(e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;

(f) represents a significant shareholder; or

(g) has served on the Board for more than nine years from the date of his or her first appointment.

Where any of these or other relevant circumstances apply, and the Board nonetheless considers that the non-executive director is independent, a clear explanation should be provided (Provision 10).

The Board considers all its Non-Executive Directors to be independent in character and judgment and has concluded that all its Non-Executive Directors are independent within the meaning of the UK Code.

The Chairman satisfied the independence criteria on appointment in accordance with the UK Code (Provision 9). The Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time (Provision 19).

GlaxoSmithKline complied with the UK Code requirement, and its Articles of Association, that all Directors should be subject to annual election or re-election by shareholders (Provision 18) at its Annual General Meeting in 2019 and intends to comply with this requirement at its 2020 Annual General Meeting.

The UK Code also provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees, the Chairman and individual Directors (Principle L and Provision 21). Annual evaluation of the Board should consider the Board's composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively (Principle L). GlaxoSmithKline has complied with this requirement. In addition, the annual evaluation of the Board should be externally facilitated at least every three years and a statement should be made as to whether an external facilitator has any other connection with GlaxoSmithKline and the external facilitator should be identified in the Annual Report (Provision 21). Internally facilitated evaluations were conducted in 2015, 2016 and 2018. GlaxoSmithKline conducted an externally facilitated evaluation in 2014 and 2017 and is currently in the process of undertaking one for 2019.

	The Financial Reporting Council's Guidance on Board Effectiveness ("Guidance") provides that all Directors should receive an induction on joining the Board and should regularly update and refresh their skills and knowledge. The Chairman should ensure that new Directors receive a full, formal and tailored induction on joining the Board (Guidance, para 61, 75-76 & 81). The Chairman should act on the results of the annual evaluation by recognising the strengths and addressing any weaknesses of the Board. Each Director should engage with this process and take appropriate action when development needs have been identified (Provision 22).
Executive Sessions (303A.03 of the NYSE Manual)	**Meetings**
3. To empower non-management directors to serve as a more effective check on management, the non-management directors of each listed company must meet at regularly scheduled executive sessions without management.	GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires the Chairman of GlaxoSmithKline to hold meetings with the Non-Executive Directors without executives present (Provision 13). The Non-Executive Directors, led by the Senior Independent Director, also meet at least annually without the Chairman present to appraise the Chairman's performance and on other occasions as necessary (Provision 12). The UK Code provides that the Chairman should promote a culture of openness and debate by facilitating the effective contribution of all Non-Executive Directors in particular, and constructive board relations between Executive and Non-Executive Directors (Principle F). In addition, the Chairman should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. The Chairman is responsible for ensuring that the Board as a whole has a clear understanding of the view of shareholders and stakeholders (Principle D and Provision 3). The Board should also understand the views of GlaxoSmithKline's other key stakeholders and keep engagement mechanisms under review so that they remain effective (Provision 5).
Nominating / Corporate Governance Committee (303A.04 of the NYSE Manual)	**Nominations Committee**
4. (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. (b) The nominating/corporate governance committee must have a written charter that addresses: (i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and (ii) an annual performance evaluation of the committee.	GlaxoSmithKline complies with the corresponding domestic requirements set out in the UK Code, which requires GlaxoSmithKline to have a Nominations Committee that is comprised of a majority of independent Non-Executive Directors (Provision 17). In practice, the current GSK Nominations Committee is comprised entirely of independent directors within the meaning of the UK Code. The Chairman of the Board should not chair the committee when it is dealing with the appointment of their successor (Provision 17). GlaxoSmithKline's Nominations Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on GlaxoSmithKline's website and explain the Nominations Committee's role and the authority delegated to it by the Board (Guidance, para 63). The Nominations Committee reviews the structure, size, diversity (including gender diversity), and composition of the Board (evaluating the balance of skills, experience, independence and knowledge on the Board), leads the process for the appointment of members to the Board and the Corporate Executive Team (the "CET"), and makes recommendations to the Board as appropriate. The Nominations Committee also monitors the planning of succession for the Board and Senior Management (Provision 17).

The terms and conditions of appointment of the Chairman and Non-Executive Directors are available for inspection (Guidance, para 96).

The UK Code requires that GlaxoSmithKline's Annual Report describes the work of the Nominations Committee in discharging its duties, including the process it has used in relation to Board appointments, its approach to succession planning and how both support developing a diverse pipeline (Provision 23). An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the Annual Report and a statement should be made as to whether it has any other connection with GlaxoSmithKline or individual directors (Provision 20). This section should include a description of the process used in relation to appointments, how board evaluation has been conducted, the Board's policy on diversity and inclusion, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives, and the gender balance of those in the senior management and their direct reports (Provision 23). GlaxoSmithKline has complied with this requirement under the 2018 UK Code.

As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees and individual Directors (Principle L).

The Board is responsible for regularly reviewing its corporate governance standards and practices. The Company Secretary oversees corporate governance matters for the Group. The Company Secretary is responsible for advising the Board through the Chairman on all corporate governance matters (Provision 16). Domestic requirements do not mandate GlaxoSmithKline to establish a distinct corporate governance committee.

Compensation Committee (303A.05 of the NYSE Manual)	Remuneration Committee
5. (a) Listed companies must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements specific to compensation committee membership set forth in Section 2(a)(ii) in the Section titled "Independence Tests" above.	GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires GlaxoSmithKline to have a Remuneration Committee comprising at least three independent Non-Executive Directors (Provision 32). In practice, the current GSK Remuneration Committee is comprised entirely of independent directors within the meaning of the UK Code.
(b) The compensation committee must have a written charter that addresses: (i) the committee's purpose and responsibilities – which, at a minimum, must be to have direct responsibility to: (A) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation; (B) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval; and (C) prepare the disclosure required by Item 407(e)(5) of Regulation S-K under the Exchange Act; (ii) an annual performance evaluation of the compensation committee. (iii) The rights and responsibilities of the compensation committee set forth in Section 303A.05(c). (c)(i) The compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser. (ii) The compensation committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the compensation committee. (iii) The listed company must provide for appropriate funding, as determined by the compensation committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the compensation committee. (iv) The compensation committee may select a compensation consultant, legal counsel or other adviser to the compensation committee only after taking into consideration, all factors relevant to that person's independence from management, including the following: (A) The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser; (B) The amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser; (C) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest; (D) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;	GlaxoSmithKline's Remuneration Committee has written terms of reference in accordance with the UK Code, which explain the Remuneration Committee's role and the authority delegated to it by the Board and are available on GlaxoSmithKline's website (Guidance, para 63). The Remuneration Committee determines the terms of service and remuneration of the Executive Directors and members of the CET and, with the assistance of external independent advisers, it evaluates and makes recommendations to the Board on overall executive remuneration policy (the Chairman and the CEO are responsible for evaluating and making recommendations to the Board on the remuneration of Non-Executive Directors). It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration (Provision 33). Where remuneration consultants are appointed, they should be identified in the Annual Report and a statement should be made as to whether they have any other connection with GlaxoSmithKline or individual directors (Provision 35). The UK Code provides that the Remuneration Committee: (a) should take care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management, or consulting the Chief Executive about its proposals (Provision 35 & Guidance, para 129) and should have delegated responsibility for setting remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments (Provision 33); (b) should recommend and monitor the level and structure of remuneration for senior management (Provision 33); (c) should consider the pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for Directors close to retirement (Provision 38); (d) should ensure that compensation commitments in Directors' terms of appointment do not reward poor performance (Provision 39). Remuneration schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. A formal policy should be developed for post-employment shareholding requirements encompassing both unvested and vested shares (Provision 36). Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes and include provisions that would enable GlaxoSmithKline to recover and/or withhold sums or share awards specifying the circumstances in which it would be appropriate to do so (Provision 37); and (e) when determining Executive Director remuneration policy and practices, should address the following: (i) remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce; (ii) the operation and rationale of remuneration structures are easy to understand; (iii)

(E) Any stock of the listed company owned by the compensation consultant, legal counsel or other adviser; and

(F) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.

remuneration arrangements identify and mitigate reputational and other risks from excessive rewards and behavioural risks that can arise from target-based incentive plans; (iv) the range of possible values of rewards to individual Directors and any other limits or discretions are identified and explained at the time of approving the policy; (v) the link between individual awards, the delivery of strategy and the long-term performance of GlaxoSmithKline should be clear; and (vi) incentive schemes should drive behaviours consistent with company purpose, values and strategy (Provision 40).

The UK Code requires that remuneration of Non-Executive Directors should not include share options or other performance-related elements, but should reflect the time commitment and responsibilities of the role (Provision 34).

The UK Code requires that notice or contract periods should be one year or less (Provision 39).

As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees (Principle L).

Audit Committee (303A.06 and 303A.07 of the NYSE Manual)	Audit & Risk Committee
6. Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	GlaxoSmithKline complies with equivalent domestic requirements set out in the UK Code, which require that GlaxoSmithKline has an Audit & Risk Committee that is comprised of at least three independent Non-Executive Directors (Provision 24). GlaxoSmithKline considers all members of the Audit & Risk Committee to be independent. The Board has also satisfied itself, in line with the UK Code, that at least one member of the Audit & Risk Committee has recent and relevant financial experience and that the Audit & Risk Committee as a whole has competence relevant to the sector in which GlaxoSmithKline operates (Provision 24). Under the UK Code, the main roles and responsibilities of the Audit & Risk Committee include: (a) monitoring the integrity of the financial statements of GlaxoSmithKline and any formal announcements relating to GlaxoSmithKline's financial performance, reviewing significant financial reporting judgments contained in them (Provision 25); (b) providing advice (where requested by the Board) on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess GlaxoSmithKline's position and performance, business model and strategy (Provision 25); (c) reviewing GlaxoSmithKline's internal financial controls and internal control and risk management systems (Provision 25); (d) monitoring and reviewing the effectiveness of GlaxoSmithKline's internal audit function (Provision 25); (e) conducting the tender process and make recommendations to the Board, regarding the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor (Provision 25); (f) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements (Provision 25); (g) developing and implementing policy on the engagement of external auditors to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board on any improvement or action required (Provision 25); and (h) reporting to the Board on how it has discharged its responsibilities (Provision 25). The Audit & Risk Committee is also the means by which the Board reviews arrangements by which the staff of GlaxoSmithKline may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (Provision 6). GlaxoSmithKline's Audit & Risk Committee meets the requirements of Rule 10A-3 in that: • each member of the Audit & Risk Committee is deemed to be "independent" in accordance with the Securities Exchange Act of 1934, as amended, and applicable NYSE and UK requirements;

	• the Audit & Risk Committee, amongst other things, is responsible for recommending the appointment, compensation, maintenance of independence and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for GlaxoSmithKline, and each such accounting firm must report directly to the Audit & Risk Committee; • the Audit & Risk Committee has established a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; • the Audit & Risk Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and • GlaxoSmithKline must provide appropriate funding for the Audit & Risk Committee. The Board has determined that Judy Lewent has the appropriate qualifications and background to be an "Audit Committee Financial Expert" as defined in rules promulgated by the SEC under the Exchange Act.
7. (a) The audit committee must have a minimum of three members. All audit committee members must satisfy the requirements for independence set out in Section 303A.02 and, in the absence of an applicable exemption, Rule 10A-3(b)(1) under the Exchange Act. (b) The audit committee must have a written charter that addresses: (i) the committee's purpose – which, at minimum, must be to: (A) assist board oversight of (1) the integrity of the listed company's financial statements, (2) the listed company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the listed company's internal audit function and independent auditors (if the listed company does not yet have an internal audit function because it is availing itself of a transition period pursuant to Section 303A.00, the charter must provide that the committee will assist board oversight of the design and implementation of the internal audit function); and (B) prepare disclosure required by Item 407(d)(3)(i) of Regulation S-K (regarding the audit committee's review and discussion of financial statements and certain other audit matters with management and auditors); (ii) an annual performance evaluation of the audit committee; and (iii) the duties and responsibilities of the audit committee – which, at a minimum, must include those set out in Rule 10A-3(b)(2), (3), (4) and (5) of the Exchange Act as well as to:	GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires that the Audit & Risk Committee should be comprised of a minimum of three independent Non-Executive Directors (Provision 24). GlaxoSmithKline's Audit & Risk Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on GlaxoSmithKline's website and explain the Audit & Risk Committee's role and the authority delegated to it by the Board (Guidance, para 63). The Audit & Risk Committee's main responsibilities include monitoring and reviewing the financial reporting process, the system of internal control and risk management, overseeing the identification and management of risks, the external and internal process and for monitoring compliance with laws, regulations and ethical codes of practice, including review throughout the year of integrated assurance reports comprising business unit and associated consolidated internal audit reports. Where requested by the Board, the Audit & Risk Committee should provide advice on the following areas which the directors as a whole are required to explain in the Annual Report: • whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess GlaxoSmithKline's performance, business model and strategy (Principle M & Provision 27); and • when taking into account GlaxoSmithKline's position and principal risks, how the prospects of GlaxoSmithKline have been assessed, over what period and why the period is regarded as appropriate. The Audit & Risk Committee should also advise whether there is a reasonable expectation that GlaxoSmithKline will be able to

(A) at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company; (B) meet to review and discuss the listed company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including reviewing the listed company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; (C) discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies; (D) discuss policies with respect to risk assessment and risk management; (E) meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors; (F) review with the independent auditor any audit problems or difficulties and management's response; (G) set clear hiring policies for employees or former employees of the independent auditors; and (H) report regularly to the board of directors. (c) Each listed company must have an internal audit function.	continue in operation and meet its liabilities when falling due over the said period, drawing attention to any qualifications or assumptions as necessary prior to the directors making their statement in the annual report (Provision 31). The UK Code requires that a separate section of the Annual Report should describe the work of the Audit & Risk Committee in discharging its responsibilities (Provision 26). The Annual Report should include: • the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed (Provision 26); • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans (Provision 26); and • if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded (Provision 26). Please see section 6 above for a description of the main role and responsibilities of the Audit & Risk Committee. In accordance with the UK Code (Provision 25), the Audit & Risk Committee monitors and reviews the effectiveness of GlaxoSmithKline's internal audit function.
Shareholder Approval of Equity Compensation Plans (303A.08 of the NYSE Manual)	
8. Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. However, these exempt grants, plans and amendments may be made only with the approval of the listed company's independent compensation committee or the approval of a majority of the listed company's independent directors. Companies must also notify the Exchange in writing when they use one of these exemptions.	GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules, which mandate that GlaxoSmithKline must seek shareholder approval for employee share schemes and significant changes to existing schemes, save in circumstances permitted by the Listing Rules (Listing Rule 9.4). Please see section 5(d) above.
Corporate Governance Guidelines (303A.09 of the NYSE Manual)	
9. Listed companies must adopt and disclose corporate governance guidelines.	GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules and the UK Code, which require that GlaxoSmithKline includes an explanation in its Annual Report of how it complies with the principles of the UK Code and a confirmation that it complies with the UK Code's provisions or, where it does not, provide an explanation of how and why it does not comply (Listing Rule 9.8.6). In addition, GlaxoSmithKline is required to make certain mandatory corporate governance statements in the Directors' Report in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules, DTR 7. GlaxoSmithKline will comply with these requirements in its 2019 Annual Report.

	Code of Business Conduct and Ethics (303A.10 of the NYSE Manual)	Code of Conduct
10.	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	GlaxoSmithKline's Code of Conduct for all employees, including the CEO, CFO and other senior financial officers, is available on GlaxoSmithKline's website.
	Foreign Private Issuer Disclosure (303A.11 of the NYSE Manual)	
11.	Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards. Listed foreign private issuers are required to provide this disclosure in the English language and in their annual reports filed on Form 20-F.	GlaxoSmithKline fulfils this requirement by publishing this document. GlaxoSmithKline fulfils this requirement by including this disclosure in its Annual Report on Form 20-F.
12.	**Certification Requirements (303A.12 of the NYSE Manual)**	
	Each listed company and its CEO must file certain annual and interim certifications regarding compliance with the corporate governance requirements and certain other matters (although foreign private issuers are only required to comply with a subset of these requirements).	GlaxoSmithKline fulfils this requirement by filing the required certifications each year.

Item 16.H **Mine Safety Disclosure**

Not applicable.

PART III

Item 17 **Financial Statements**

Not applicable.

Item 18 **Financial Statements**

The information set forth under the headings:

- "Consolidated income statement" on page 166;
- "Consolidated statement of comprehensive income" on page 166;
- "Consolidated balance sheet" on page 167;
- "Consolidated statement of changes in equity" on page 168;
- "Consolidated cash flow statement" on page 169; and
- "Notes to the financial statements" on pages 170 to 251 (excluding the column titled "2017 (revised)" in the table "Pharmaceuticals turnover by therapeutic area" in "Note 6 – Turnover and segment information" on page 180)

of the GSK Annual Report 2019 is incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of GlaxoSmithKline plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of GlaxoSmithKline plc and subsidiaries (the "Group") as at 31 December 2019 and 2018, the related consolidated income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements, for each of the two years in the period ended 31 December 2019, and the related notes, included in Exhibit 15.3 on pages 166 to 251 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group's internal control over financial reporting as at 31 December 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 6 March, expressed an unqualified opinion on the Group's internal control over financial reporting.

Change in Accounting Policies

As discussed in Note 1 to the financial statements, effective 1 January 2019, the Group adopted IFRS 16 Leases, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of the ViiV Healthcare Shionogi contingent consideration liability

Balances impacted: Contingent consideration liabilities and Other operating expense

Refer to Notes 3, 28, 32 and 43 to the financial statements

Critical Audit Matter Description

In recent years the Group has completed a number of significant transactions which resulted in the recognition of material contingent consideration liabilities, which are a key source of estimation uncertainty. The most significant of these liabilities was the ViiV Healthcare Shionogi Contingent Consideration Liability ("ViiV CCL").

The Group completed the acquisition of the remaining 50% interest in the Shionogi-ViiV Healthcare joint venture in 2012. Upon completion, the Group recognised a contingent consideration liability for the fair value of the expected future payments to be made to Shionogi. As at 31 December 2019, the liability was valued at £5,103 million.

We identified the ViiV CCL as a critical audit matter because of the significant estimates and assumptions management makes related to the sales forecasts of dolutegravir-based regimens used to value the ViiV CCL. Such forecasts are based on management's assessment of the expected launch dates, the ability to shift market practice and prescriber behaviour towards 2-drug regimens, and subsequent sales volumes and pricing. The forecasts also required significant audit effort to perform appropriate audit procedures to challenge and evaluate the reasonableness of those forecasts.

The contingent consideration liabilities, including the ViiV CCL, are disclosed as a key source of estimation uncertainty in note 3 of the Group financial statements with further disclosures provided in notes 28, 32 and 43. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

How the Critical Audit Matter Was Addressed in the Audit

We performed the following audit procedures, amongst others, related to the sales forecasts:

- Challenged management's evidence through enquiries of key individuals from the senior leadership team, commercial strategy team and key personnel involved in the budgeting and forecasting process, and the obtaining of objective evidence with respect to key inputs and assumptions;
- Challenged the United States (US) volume assumptions made by management to estimate sales forecasts. This involves benchmarking market share data against external data, such as total prescription volumes and new patient prescription volumes, in order to assess for any sources of contradictory evidence;
- Challenged the reasonableness of US pricing assumptions made by management, by comparing the forecasted Returns and Rebates accruals rate by product against the current rate, and assessing the forecasted Returns and Rebates against comparable products and expected changes in payer policy;
- Reviewed the results of clinical studies undertaken in the year by management and key competitors in order to assess whether these are corroborative or contradictory to management's assumptions on dolutegravir sales forecasts in the US;
- Benchmarked management's forecasts against analysts reports and developed a range of possible outcomes using analyst forecast growth for ViiV Healthcare with a consensus of 15 analysts including Bank of America Merrill Lynch, Morgan Stanley, Barclays, Credit Suisse, Jefferies and Redburn; and
- Tested the controls over the key inputs and assumptions used in the valuation of the contingent consideration liability, including management review controls over the sales forecasts of dolutegravir-based regimens.

Valuation of US Returns and Rebates (RAR) accruals

Balances impacted: Turnover and Trade and other payables

Refer to Notes 3 and 28 to the financial statements

Critical Audit Matter Description

In the US the Group sells to customers under various commercial and government mandated contracts and reimbursement arrangements that include rebates, chargebacks and a right of return for certain pharmaceutical products. As such, revenue recognition reflects gross-to-net sales adjustments. These adjustments are known as the Returns and Rebates ("RAR") accruals and are a source of significant estimation uncertainty which could have a material impact on reported revenue. The three most significant payer channels (also referred to as buying groups) within the RAR accrual are managed healthcare organisations, Medicaid and Medicare Part D.

The two main causes of significant estimation uncertainty are:

- The utilisation rate, which is the portion of total sales that will be made into each payer channel, estimated by management in recording the accruals. The utilisation assumption is the most challenging of the key assumptions used to derive the accrual given that it is influenced by market demand and other factors outside the control of the Group; and
- The time lag between the point of sale and the point at which exact rebate amounts are known to the Group upon receipt of a claim. Those payer channels with the longest time lag result in a greater accrued period, and therefore, a greater level of estimation uncertainty in estimating the period end accrual.

The level of estimation uncertainty is also impacted by significant shifts in channel mix often driven by changes in the competitive landscape, including competitor and generic product launches.

In the US Pharmaceuticals business in 2019 £11,069 million of RAR deductions were made to gross revenue of £18,471 million, resulting in net revenue of £7,402 million. The balance sheet accrual at 31 December 2019 for the combined US Pharmaceuticals and Vaccines businesses amounted to £4,200 million.

US Pharmaceuticals returns and rebates are disclosed as a key accounting estimate in note 3 of the Group financial statements with further disclosures provided in note 28. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

How the Critical Audit Matter Was Addressed in the Audit

We performed the following audit procedures, amongst others, related to management estimates in the RAR accruals:

- Assessed the historical accuracy of management's estimates against actual outcomes to inform our assessment of the current year accrual;
- Performed substantive analytical procedures by developing an independent expectation of the accrual balance for each of the key segments, based on historical claims received adjusted to reflect market changes in the period including an assessment of the time lag between the initial point of sale and the claim receipt. We then compared this independent expectation to those of management to evaluate the appropriateness of management's ending accrual position;
- Recalculated the accrual recognised to determine that it is consistent with the assumptions determined through management's process;
- Selected a sample of individual utilisation rates giving particular focus to products which have experienced increased generic competition in the current year. We challenged and obtained support for the utilisation rates selected, which included comparison to historical utilisation rates;
- Challenged the appropriateness of period-end adjustments to the liability made as part of the ongoing review of the estimated accrual. The impact of these market events on the year end accrual was considered and reflected as part of our overall audit approach; and
- Tested the key controls over the estimation of RAR accruals including the controls associated with the bi-annual forecasting of utilisation rates process and the month-end accrual review controls.

Valuation of intangible assets recognised on the Tesaro and Pfizer transactions

Balances impacted: Other intangible assets and Cost of sales

Refer to Notes 20 and 40 to the financial statements

Critical Audit Matter Description

During the year, the Group recognised £15,449 million of other intangible assets (including licences, patents, trademarks and brand names, but excluding goodwill) on the acquisitions of Tesaro Inc. and the Pfizer Consumer Healthcare business.

The determination of the fair value of the acquired intangible assets relies on certain management assumptions and estimates of future trading performance, including the probability of success of pipeline products and product innovations, likelihood of regulatory approval, future sales growth rates and profit margin levels, and discount rates.

We identified the valuation of other intangible assets recognised on these acquisitions as a critical audit matter because of the inherent judgements involved in estimating future cash flows and auditing such estimates required extensive audit effort to challenge and evaluate the reasonableness of those forecasts. We also engaged our fair value specialists to assess the discount rates and valuation methodologies applied.

The disclosures relating to other intangible assets are included in note 20 and 40 of the Group financial statements. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

How the Critical Audit Matter Was Addressed in the Audit

We performed the following audit procedures, amongst others, related to the probability of success of pipeline products and product innovations, likelihood of regulatory approval, future sales growth rates and profit margin levels, and discount rates used in the valuation of the acquired intangible assets:

- Met with the key individuals from the senior leadership team, product category leads and key personnel involved in the forecasting process to discuss and evaluate management's evidence to support future sales growth rates and profitability assumptions;
- Challenged the business assumptions applied by management in estimating sales forecasts, including benchmarking of sales forecasts and product compound annual growth rates to external data for the specific market segment. This included independent market research of expected category growth and assessment of any sources of contradictory evidence;
- Evaluated the probability of success factors related to regulatory approval applied to pipeline products to calculate forecast sales to be derived from future commercialised assets;
- Assessed the historical accuracy of management's forecasts including consumption data and estimates of new sales from innovation;
- Compared the forecast sales to the Plan data (asset by asset internal forecasts) approved by senior management and the Board of directors;
- With the assistance of our fair value specialists, assessed the reasonableness of valuation-specific assumptions used by management, including discount rate and terminal growth rate, and whether these assumptions were consistent with how a well-informed independent third party would value these assets; and
- Tested management review controls over the key inputs and assumptions used in valuation of intangible assets. The controls encompass review of the valuation models, which contain a number of assumptions such as the revenue growth rates, probability of success of pipeline products, profit margins and discount rates.

Valuation of uncertain tax positions, including transfer pricing

Balances impacted: Corporation tax payable, Deferred tax liabilities and Taxation charge

Refer to Notes 3 and 14 to the financial statements

Critical Audit Matter Description

The Group operates in numerous jurisdictions and there are open tax and transfer pricing matters and exposures with UK, US and overseas tax authorities that give rise to uncertain tax positions. There is a range of possible outcomes for provisions and contingencies can be wide and management are required to make certain judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of tax provisions, which are sometimes complex as a result of the considerations required over multiple tax laws and regulations.

At 31 December 2019, the Group has recorded provisions of £933 million in respect of uncertain tax positions.

Valuation of uncertain tax positions is disclosed as a key source of estimation uncertainty in note 3 of the Group financial statements with further disclosures included in note 14. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

How the Critical Audit Matter Was Addressed in the Audit

With the support of tax specialists, we assessed the appropriateness of the uncertain tax provisions by performing the following audit procedures amongst others:

- Assessed and challenged provisions for uncertain tax positions, and focused our work on those jurisdictions where the Group has the greatest potential exposure and where the highest level of judgement is required;
- Assessed management's policies for recognition and measurement of uncertain tax positions for compliance with the guidance per IFRIC 23;
- Involved our transfer pricing specialists to review the transfer pricing methodology of the Group and associated approach to provisioning;
- Involved our UK, US and international tax and transfer pricing specialists to challenge the conclusions reached by management, both in relation to the expected outcome and the financial impact;
- Considered evidence such as the actual results from the recent tax authority audits and enquiries, third-party tax advice where obtained and our tax specialists' own knowledge of market practice in relevant jurisdictions; and
- Tested key controls over preparation, review and reporting of judgmental tax balances and transactions, which include provisions for uncertain tax provisions.

/s/ Deloitte LLP

London, United Kingdom
6 March 2020

The first accounting period we audited was 31 December 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of GlaxoSmithKline plc

Opinion on the Financial Statements

We have audited the accompanying consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity of GlaxoSmithKline plc (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017, including the related notes included in Exhibit 15.3 on pages 166 to 251 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Group's operations and its cash flows for the year ended 31 December 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
16 March 2018

We served as the Company or its merged predecessors' auditor from 1977 to 2017. Since at least 1974, we also served as auditor of a company acquired by a merged predecessor of the Company.

Item 19 **Exhibits**

1.1	Articles of Association of the Registrant as in effect on the date hereof.
2.1	Amended and Restated Deposit Agreement among the Registrant and The Bank of New York Mellon, as Depositary, and the owners and holders from time to time of the American Depositary Shares issued thereunder, including the form of American Depositary Receipt, is incorporated by reference to the post-effective amendment to the Registration Statement on Form F-6 (No. 333-232726) filed with the Commission on July 19, 2019.
2.2	Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
4.3	UK Service Agreement between GlaxoSmithKline Services Unlimited and Emma N. Walmsley dated March 29, 2017 is incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019 .
4.4	UK Service Agreement between GlaxoSmithKline LLC and Hal V. Barron dated December 16, 2017.
4.5	UK Service Agreement between GlaxoSmithKline Services Unlimited and Iain Mackay dated 18 September 2018 is incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019.
4.6	Share and Business Sale Agreement relating to the Vaccines Group made on April 22, 2014, as amended and restated on May 29, 2014, as amended on October 9, 2014, and as further amended and restated on March 1, 2015, between Novartis AG and GlaxoSmithKline plc is incorporated by reference to Exhibit 4.9 of the Registrant's Annual Report on Form 20-F filed with the Commission on March 18, 2016. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
4.7	Stock and Asset Purchase Agreement by and among Pfizer Inc., GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited dated as of December 19, 2018 is incorporated by reference to Exhibit 4.10 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
4.8	Amendment Agreement dated July 31, 2019 to the Stock and Asset Purchase Agreement by and among Pfizer Inc., GlaxoSmithKline plc, GlaxoSmithKline Consumer Healthcare Holdings Limited and GlaxoSmithKline Consumer Healthcare Holdings (No. 2) Limited dated as of July 31, 2019.
4.9	Shareholders' Agreement among GlaxoSmithKline Consumer Healthcare Holdings Limited, Pfizer Inc., PF Consumer Healthcare Holdings LLC, GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited dated as of July 31, 2019. Certain confidential information contained in this exhibit has been omitted from this exhibit because it is both (i) not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.
8.1	A list of the Registrant's principal subsidiaries is incorporated by reference to the information set forth under "Group Companies" on pages 299 to 310 of the GSK Annual Report 2019 included as Exhibit 15.3.
12.1	Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Emma Walmsley.
12.2	Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Iain Mackay.
13.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
15.1	Consent of PricewaterhouseCoopers LLP.
15.2	Consent of Deloitte LLP.
15.3*	GSK Annual Report 2019.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Certain of the information included within Exhibit 15.3, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified elsewhere in this Form 20-F. With the exception of the items and pages so specified, the GSK Annual Report 2019 is not deemed to be filed as part of this Form 20-F.

** In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GlaxoSmithKline plc

March 6, 2020

By: /s/ Iain Mackay
Iain Mackay
Chief Financial Officer

Exhibit 1.1

Company No. 3888792

ARTICLES OF ASSOCIATION

(As adopted by Special Resolution passed on 3 May 2018)

OF

GlaxoSmithKline plc

Company No. 3888792

ARTICLES OF ASSOCIATION

(As adopted by Special Resolution passed on 3 May 2018)

OF

GLAXOSMITHKLINE PLC

CONTENTS

ARTICLES OF ASSOCIATION

of

GLAXOSMITHKLINE PLC

(adopted by Special Resolution passed on 3 May 2018)

Interpretation

1. Exclusion of Model Articles

No articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies shall apply as the articles of the company.

2. Definitions

In these articles unless the context otherwise requires:

"**address**" includes a number or address used for the purposes of sending or receiving documents or information by electronic means;

"**these articles**" means these articles of association as altered from time to time and the expression "**this article**" shall be construed accordingly;

"**associated company**" means any company (i) which is the company's holding company or (ii) in which the company or its holding company or any of the predecessors of the company or of such holding company has any interest whether direct or indirect or (iii) which is in any way allied to or associated with the company or its holding company or any of the predecessors of the company or of such holding company, of (iv) which is a subsidiary undertaking or any other associated company;

"**the auditors**" means the auditors from time to time of the company or, in the case of joint auditors, any one of them;

"**the Bank of England base rate**" means the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998;

"**the board**" means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

"**certificated share**" means a share which is not an uncertificated share and references in these articles to a share being held in certificated form shall be construed accordingly;

"**clear days**" in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect;

"**the Companies Acts**" means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company;

"**the holder**" in relation to any shares means the person whose name is entered in the register as the holder of those shares;

"**the office**" means the registered office from time to time of the company;

"**paid up**" means paid up or credited as paid up;

"**participating class**" means a class of shares title to which is permitted by an Operator to be transferred by means of a relevant system;

"**person entitled by transmission**" means a person whose entitlement to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law has been noted in the register;

"**place**" means, in relation to a general meeting or annual general meeting, the place of a physical meeting or the electronic platform specified by the board in relation to an electronic general meeting and, where relevant, references to the place of a general meeting or annual general meeting include any combination of two or more such places;

"**the register**" means the register of members of the company;

"**seal**" means any common or official seal that the company may be permitted to have under the Companies Acts;

"**the secretary**" means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the board to perform any of the duties of the secretary;

"**the uncertificated securities rules**" means any provision of the Companies Acts relating to the holding, evidencing of title to, or transfer of uncertificated shares and any legislation, rules or other arrangements made under or by virtue of such provision;

"**uncertificated share**" means a share of a class which is at the relevant time a participating class, title to which is recorded on the register as being held in uncertificated form and references in these articles to a share being held in uncertificated form shall be construed accordingly;

"**United Kingdom**" means Great Britain and Northern Ireland;

references to a person being "**present**" at or "**attending**" a general meeting or annual general meeting means present at a physical meeting or participating via the electronic platform specified by the board in relation to that meeting, and references to "**absence**", "**refuse entry**" and "**eject**" shall be read accordingly;

references to a document being **signed** or to **signature** include references to its being executed under hand or under seal or by any other method and, in the case of a communication in electronic form, such references are to its being authenticated as specified by the Companies Acts;

references to **writing** include references to any method of representing or reproducing words in a legible and non-transitory form whether sent or supplied in electronic form or otherwise and **written** shall be construed accordingly;

words or expressions to which a particular meaning is given by the Companies Acts in force when these articles or any part of these articles are adopted bear (if not inconsistent with the subject matter or context) the same meaning in these articles or that part (as the case may be) save that the word "**company**" shall include any body corporate; and

references to a **meeting** shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.

Headings are included only for convenience and shall not affect meaning.

3. Limited Liability

The liability of members of the company is limited to the amount, if any, unpaid on the shares in the company held by them.

4. Change of Name

The company may change its name by resolution of the board.

Share Capital

5. Rights Attached to Shares

Subject to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide. Such rights and restrictions shall apply to the relevant shares as if the same were set out in these articles.

6. Redeemable Shares

Subject to any rights attached to existing shares, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the company or the holder. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in these articles.

7. Variation of Rights

Subject to the provisions of the Companies Acts, all or any of the rights attached to any existing class of shares may from time to time (whether or not the company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. All the provisions of these articles as to general meetings of the company shall, with any necessary modifications, apply to any such separate general meeting, but so that the necessary quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting one holder entitled to vote and present in person or by proxy (whatever the number of shares held by him) shall be a quorum). The foregoing provisions of this article shall apply to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

8. Pari Passu Issues

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

9. Shares

Subject to the provisions of these articles and to any resolution passed by the company and without prejudice to any rights attached to existing shares, the board may offer, allot, grant options over or otherwise deal with or dispose of shares in the company to such persons, at such times and for such consideration and upon such terms as the board may decide.

10. Payment of Commission

The company may in connection with the issue of any shares or the sale for cash of treasury shares exercise all powers of paying commission and brokerage conferred or permitted by the Companies Acts. Any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly-paid shares or other securities or partly in one way and partly in the other.

11. Trusts Not Recognised

Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the company as holding any share upon any trust and the company shall not be bound by or required in any way to recognise (even when having notice of it) any interest in any share or (except only as by these articles or by law otherwise provided) any other right in respect of any share other than an absolute right to the whole of the share in the holder.

12. Suspension of Rights Where Non-Disclosure of Interest

(A) Where the holder of any shares in the company, or any other person appearing to be interested in those shares, fails to comply within the relevant period with any statutory notice in respect of those shares or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the company may give the holder of those shares a further notice (a "**restriction notice**") to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions, and from service of the restriction notice those shares shall, notwithstanding any other provision of these articles, be subject to those relevant restrictions accordingly. For the purpose of enforcing the relevant restriction referred to in sub-paragraph (iii) of the definition of "relevant restrictions", the board may give notice to the relevant member requiring the member to change the relevant shares held in uncertificated form to certificated form by the time stated in the notice and to keep them in certificated form for as long as the board requires. The notice may also state that the member may not change any of the relevant shares held in certificated form to uncertificated form. If the member does not comply with the notice, the board may authorise any person to instruct the Operator to change the relevant shares held in uncertificated form to certificated form.

(B) If after the service of a restriction notice in respect of any shares the board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the company shall, within seven days, cancel the restriction notice. The company may at any time at its discretion cancel any restriction notice or exclude any shares from it. The company shall cancel a restriction notice within seven days after receipt of a notice in writing that the relevant shares have been transferred pursuant to an arm's length sale.

(C) Where any restriction notice is cancelled or ceases to have effect in relation to any shares, any moneys relating to those shares which were withheld by reason of that notice shall be paid without interest to the person who would but for the notice have been entitled to them or as he may direct.

(D) Any new shares in the company issued in right of any shares subject to a restriction notice shall also be subject to the restriction notice, and the board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.

(E) Any holder of shares on whom a restriction notice has been served may at any time request the company to give in writing the reason why the restriction notice has been served, or why it remains uncancelled, and within 14 days of receipt of such a notice the company shall give that information accordingly.

(F) Where a person appearing to be interested in shares has been served with a statutory notice and the shares in which he appears to be interested are held by an Approved Depositary, this article applies only to those shares which are held by the Approved Depositary in which that person appears to be interested and not (so far as that person's apparent interest is concerned) to any other shares held by the Approved Depositary.

(G) Where a member who is an Approved Depositary has been served with a statutory notice, the obligations of that member will be limited to disclosing to the company information relating to any person who appears to be interested in the shares held by it which has been recorded by it in accordance with the arrangement under which it was appointed as an Approved Depositary.

(H) If a statutory notice is given by the company to a person appearing to be interested in any share, a copy shall at the same time be given to the holder, but the failure or omission to do so or the non-receipt of the copy by the holder shall not invalidate such notice.

(I) This article is in addition to, and shall not in any way prejudice or affect, the statutory rights of the company arising from any failure by any person to give any information required by a statutory notice within the time specified in it. For the purpose of this article a statutory notice need not specify the relevant period, and may require any information to be given before the expiry of the relevant period.

(J) In this article:

a sale is an "**arm's length sale**" if the board is satisfied that it is a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the holder or with any person appearing to be interested in such shares and shall include a sale made by way of or in pursuance of acceptance of a takeover offer and a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom. For this purpose an associate (within the definition of that expression in any statute relating to insolvency in force at the date of adoption of this article) shall be included amongst the persons who are connected with the holder or any person appearing to be interested in such shares;

"**person appearing to be interested**" in any shares shall mean any person named in a response to a statutory notice or otherwise notified to the company by a member as being so interested or shown in any register or record kept by the company under the Companies Acts as so interested or, taking into account a response or failure to respond in the light of the response to any other statutory notice and any other relevant information in the possession of the company, any person whom the company knows or has reasonable cause to believe is or may be so interested;

"**person with a 0.25 per cent. interest**" means a person who holds, or is shown in any register or record kept by the company under the Companies Acts as having an interest in, shares in the company which comprise in total at least 0.25 per cent. in number or nominal value of the shares of the company (calculated exclusive of any shares held as treasury shares), or of any class of such shares (calculated exclusive of any shares of that class held as treasury shares), in issue at the date of service of the restriction notice;

"**relevant period**" means a period of 14 days following service of a statutory notice;

"**relevant restrictions**" mean in the case of a restriction notice served on a person with a 0.25 per cent. interest that:

(i) the shares shall not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings;

(ii) the board may withhold payment of all or any part of any dividends or other moneys payable in respect of the shares and the holder shall not be entitled to receive shares in lieu of dividend;

(iii) the board may decline to register a transfer of any of the shares which are certificated shares, unless such a transfer is pursuant to an arm's length sale,

and in any other case mean only the restriction specified in sub-paragraph (i) of this definition; and

"**statutory notice**" means a notice served by the company under the Companies Acts requiring particulars of interests in shares or of the identity of persons interested in shares.

13. Uncertificated Shares

(A) Pursuant and subject to the uncertificated securities rules, the board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The board may also, subject to compliance with the uncertificated securities rules, determine at any time that title to any class of shares may from a date specified by the board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.

(B) In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these articles shall apply or have effect to the extent that it is inconsistent in any respect with:

(i) the holding of shares of that class in uncertificated form;

(ii) the transfer of title to shares of that class by means of a relevant system; and

(iii) any provision of the uncertificated securities rules,

and, without prejudice to the generality of this article, no provision of these articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the Operator, so long as that is permitted or required by the uncertificated securities rules, of an Operator register of securities in respect of that class of shares in uncertificated form.

(C) Shares of a class which is at the relevant time a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the uncertificated securities rules.

(D) If, under these articles or the Companies Acts, the company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated share, then, subject to these articles and the Companies Acts, such entitlement shall include the right of the board to:

(i) require the holder of that uncertificated share by notice in writing to change that share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the board requires;

(ii) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such share as may be required to effect the transfer of such share and such steps shall be as effective as they had been taken by the registered holder of that share; and

(iii) take such other action that the board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.

(E) Unless the board otherwise determines, shares which a member holds in uncertificated form shall be treated as separate holdings from any shares which that member holds in certificated form. However shares held in uncertificated form shall not be treated as forming a class which is separate from certificated shares with the same rights.

(F) Unless the board otherwise determines or the uncertificated securities rules otherwise require, any shares issued or created out of or in respect of any uncertificated shares shall be uncertificated shares and any shares issued or created out of or in respect of any certificated shares shall be certificated shares.

(G) The company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the uncertificated securities rules and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the company in reliance on such assumption; in particular, any provision of these articles which requires or envisages that action will be taken in reliance on information contained in the register shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

14. Right to Share Certificates

Every person (except a person to whom the company is not by law required to issue a certificate) whose name is entered in the register as a holder of any certificated shares shall be entitled, without payment, to receive within the time limits prescribed by the Companies Acts (or, if earlier, within any prescribed time limit or within a time specified when the shares were issued) one certificate for all those shares of any one class. In the case of a certificated share held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all. A member who transfers some but not all of the shares comprised in a certificate shall be entitled to a certificate for the balance without charge to the extent the balance is to be held in certificated form.

15. Replacement of Share Certificates

If a share certificate is defaced, worn out, lost or destroyed, it may be replaced on such terms (if any) as to evidence and indemnity as the board may decide and, where it is defaced or worn out, after delivery of the old certificate to the company. Any two or more certificates representing shares of any one class held by any member shall at his request be cancelled and a single new certificate for such shares issued in lieu. Any certificate representing shares of any one class held by any member may at his request be cancelled and two or more certificates for such shares may be issued instead. The board may require the payment of any exceptional out-of-pocket expenses of the company incurred in connection with the issue of any certificates under this article. Any one of two or more joint holders may request replacement certificates under this article.

16. Share Certificates Sent at Holder's Risk

Every share certificate sent in accordance with these articles will be sent at the risk of the member or other person entitled to the certificate. The company will not be responsible for any share certificate lost or delayed in the course of delivery.

17. Execution of Share Certificates

Every share certificate shall be executed under a seal or in such other manner as the board, having regard to the terms of issue and any listing requirements, may authorise and shall specify the number and class of the shares to which it relates and the amount or respective amounts paid up on the shares. The board may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them or that the certificates need not be signed by any person.

Lien

18. Company's Lien on Shares Not Fully Paid

The company shall have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the company (whether presently or not) in respect of that share. The company's lien on a share shall extend to every amount payable in respect of it. The board may at any time either generally or in any particular case waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this article.

19. Enforcing Lien by Sale

The company may sell, in such manner as the board may decide, any share on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after a notice has been served on the holder of the share or the person who is entitled by transmission to the share, demanding payment and stating that if the notice is not complied with the share may be sold. For giving effect to the sale the board may authorise some person to sign an instrument of transfer of the share sold to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in relation to the sale.

20. Application of Proceeds of Sale

The net proceeds, after payment of the costs, of the sale by the company of any share on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as it is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale and upon surrender, if required by the company, for cancellation of the certificate for the share sold) be paid to the person who was entitled to the share at the time of the sale.

Calls on Shares

21. Calls

Subject to the terms of issue, the board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not payable on a date fixed by or in accordance with the terms of issue, and each member shall (subject to the company serving upon him at least 14 clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed, in whole or in part, as the board may decide. A person upon whom a call is made shall remain liable jointly and severally with the successors in title to his shares for all calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

22. Timing of Calls

A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

23. Liability of Joint Holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.

24. Interest Due on Non-Payment

If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it is due and payable to the time of actual payment at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide, and all expenses that have been incurred by the company by reason of such non-payment, but the board shall be at liberty in any case or cases to waive payment of the interest or expenses wholly or in part.

25. Sums Due on Allotment Treated as Calls

Any amount which becomes payable in respect of a share on allotment or on any other date fixed by or in accordance with the terms of issue, whether in respect of the nominal amount of the share or by way of premium or as an instalment of a call, shall be deemed to be a call and, if it is not paid, all the provisions of these articles shall apply as if the sum had become due and payable by virtue of a call.

26. Power to Differentiate

The board may on or before the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

27. Payment of Calls in Advance

The board may, if it thinks fit, receive from any member who is willing to advance them all or any part of the moneys uncalled and unpaid upon any shares held by him and on all or any of the moneys so advanced may (until they would, but for the advance, become presently payable) pay interest at such rate (not exceeding the Bank of England base rate by more than five percentage points, unless the company by ordinary resolution shall otherwise direct) as the board may decide.

Forfeiture of Shares

28. Notice if Call or Instalment Not Paid

If any call or instalment of a call remains unpaid on any share after the day appointed for payment, the board may at any time serve a notice on the holder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the company by reason of such non-payment.

29. Form of Notice

The notice shall name a further day (not being less than 14 clear days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that in the event of non-payment on or before the day and at the place appointed, the shares in respect of which the call has been made or instalment is payable will be liable to be forfeited.

30. Forfeiture for Non-Compliance with Notice

If the notice is not complied with, any share in respect of which it was given may, at any time before payment of all calls or instalments and interest and expenses due in respect of it have been made, be forfeited by a resolution of the board to that effect and the forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited shares and not paid before the forfeiture. The board may accept the surrender of any share liable to be forfeited and, in that event, references in these articles to forfeiture shall include surrender.

31. Notice after Forfeiture

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share but no forfeiture shall be invalidated by any omission or neglect to give notice.

32. Sale of Forfeited Shares

Until cancelled in accordance with the requirements of the Companies Acts, a forfeited share shall be deemed to be the property of the company and may be sold or otherwise disposed of either to the person who was, before forfeiture, the holder or to any other person upon such terms and in such manner as the board shall decide. The board may for the purposes of the disposal authorise some person to sign an instrument of transfer to the designated transferee. The company may receive the consideration (if any) given for the share on its disposal. At any time before a sale or disposition the forfeiture may be cancelled by the board on such terms as the board may decide.

33. Arrears to be Paid Notwithstanding Forfeiture

A person whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the forfeited shares but shall remain liable to pay to the company all moneys which at the date of the forfeiture were payable by him to the company in respect of those shares with interest thereon at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide from the date of forfeiture until payment, and the company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited or for any consideration received on their disposal.

34. Statutory Declaration as to Forfeiture

A statutory declaration that the declarant is a director of the company or the secretary and that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share. The declaration shall (subject to the signing of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is sold or otherwise disposed of shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale or disposal.

Transfer of Shares

35. Transfer

(A) Subject to such of the restrictions of these articles as may be applicable:

(i) any member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided in, the uncertificated securities rules, and accordingly no provision of these articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the share to be transferred; and

(ii) any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve.

(B) The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it.

36. Signing of Transfer

The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. All instruments of transfer, when registered, may be retained by the company.

37. Rights to Decline Registration of Partly Paid Shares

The board can decline to register any transfer of any share which is not a fully paid share.

38. Other Rights to Decline Registration

(A) Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

(B) The board may decline to register any transfer of a certificated share unless:

(i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is left at the office or such other place as the board may from time to time determine accompanied (save in the case of a transfer by a person to whom

the company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the person signing the instrument of transfer to make the transfer and, if the instrument of transfer is signed by some other person on his behalf, the authority of that person so to do;

(ii) the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

(C) For all purposes of these articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

39. No Fee for Registration

No fee shall be charged by the company for registering any transfer, document or instruction relating to or affecting the title to any share or for making any other entry in the register.

40. Untraced Shareholders

(A) The company may sell any certificated shares in the company on behalf of the holder of, or person entitled by transmission to, the shares at the best price reasonably obtainable at the time of sale if:

(i) the shares have been in issue either in certificated or uncertificated form throughout the qualifying period and at least three cash dividends have become payable on the shares during the qualifying period;

(ii) no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares or by the transfer of funds by means of a relevant system at any time during the relevant period;

(iii) so far as any director of the company at the end of the relevant period is then aware, the company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the shares; and

(iv) on or after the expiry of the qualifying period, the company has sent a notice to the registered address or last known address of the member or person concerned, of its intention to sell such share and before sending such a notice to the member or other person concerned, the company must have used reasonable efforts to trace the member or other person entitled, engaging, if considered appropriate by the company, a professional asset reunification company or other tracing agent, and at least a period of three months has elapsed from the date of sending such notices.

(B) The company shall also be entitled to sell at the best price reasonably obtainable at the time of sale any additional certificated shares in the company issued either in certificated or uncertificated form during the qualifying period in right of any share to which paragraph (A) of this article applies (or in right of any share so issued), if the criteria in paragraph (A)(ii) to (iv) are satisfied in relation to the additional shares.

(C) To give effect to any sale of shares pursuant to this article the board may authorise some person to transfer the shares in question and an instrument of transfer signed by that person shall be as effective as if it had been signed by the holder of, or person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

(D) The net proceeds of sale shall belong to the company and, upon their receipt, the company shall record the name of the member, or (if known) the person who would have been entitled to the shares by law, as a creditor for the money in its accounts, unless and until forfeited under this article. No trust shall be created in respect of the debt and no interest shall be payable in respect of it and the company shall not be required to account for any moneys earned from the net proceeds which may be employed in the business of the company or as it thinks fit. If no valid claim for the money has been received by the company during a period of six years from the date on which the relevant shares were sold by the company under this article, the money will be forfeited and will belong to the company.

(D) For the purpose of this article:

"**the qualifying period**" means the period of 10 years immediately preceding the date of sending the notice referred to in paragraph (A)(iv) above; and

"**the relevant period**" means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of paragraphs (A)(i) to (iv) above have been satisfied.

Transmission of Shares

41. Transmission on Death

If a member dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his shares; but nothing contained in these articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

42. Entry of Transmission in Register

Where the entitlement of a person to a certificated share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the board, the board shall within two months after proof cause the entitlement of that person to be noted in the register.

43. Election of Person Entitled by Transmission

Any person entitled by transmission to a share may, subject as provided elsewhere in these articles, elect either to become the holder of the share or to have some person nominated by him registered as the holder. If he elects to be registered himself he shall give notice to the company to that effect. If he elects to have another person registered and the share is a certificated share, he shall sign an instrument of transfer of the share to that person. If he elects to have himself or another person registered and the share is an uncertificated share, he shall take any action the board may require (including, without limitation, the signing of any document and the giving of any instruction by means of a relevant system) to enable himself or that person to be registered as the holder of the share. The board may at any time require the person to elect either to be registered himself or to transfer the share and if the requirements are not complied with within 60 days of being issued the board may withhold payment of all dividends and other moneys payable in respect of the share until the requirements have been complied with. All the provisions of these articles relating to the transfer of, and registration of transfers of, shares shall apply to the notice or transfer as if the death or bankruptcy of the member or other event giving rise to the transmission had not occurred and the notice or transfer was given or signed by the member.

44. Rights of Person Entitled by Transmission

Where a person becomes entitled by transmission to a share, the rights of the holder in relation to that share shall cease, but the person entitled by transmission to the share may give a good discharge for any dividends or other moneys payable in respect of it and shall have the same rights in relation to the share as he would have had if he were the holder of it save that, until he becomes the holder, he shall not be entitled in respect of the share (except with the authority of the board) to receive notice of, or to attend or vote at, any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings.

Alteration of Share Capital

45. Sub-division

Any resolution authorising the company to sub-divide its shares or any of them may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others.

46. Fractions

Whenever as a result of a consolidation, consolidation and sub-division or sub-division of shares any holders would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit including by ignoring fractions altogether or by aggregating and selling them or by dealing with them in some other way. For the purposes of effecting any

such sale, the board may arrange for the shares representing the fractions to be entered in the register as certificated shares. The board may sell shares representing fractions to any person, including the company and may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

Notice of General Meetings

47. Omission or Non-Receipt of Notice

(A) The accidental omission to give any notice of a meeting or the accidental omission to send or supply any document or other information relating to any meeting to, or the non-receipt (even if the company becomes aware of such non-receipt) of any such notice, document or other information by, any person entitled to receive the notice, document or other information shall not invalidate the proceedings at that meeting.

(B) A member present in person or by proxy at a meeting shall be deemed to have received proper notice of that meeting and, where applicable, of the purpose of that meeting.

48. Postponement of General Meetings

If the board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in: (i) at least two national newspapers in the United Kingdom, and (ii) The Wall Street Journal and/or such other newspaper published in the United States as the directors consider to be appropriate. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, the appointment of a proxy will be valid if it is received as required by these articles not less than 48 hours before the time appointed for holding the rearranged meeting. The board may also postpone or move the rearranged meeting under this article.

49. Resolutions of members at Annual General Meetings

(A) If, on or before, 31st January in any year any members shall, in accordance with the Companies Acts, require the company, in relation to the Annual General Meeting to be held in that year, to give notice of a resolution which may properly be moved or require the company to circulate a statement in acceptable form, the company shall circulate that resolution or statement with the notice of the Annual General Meeting without cost to the requisitionists.

(B) If any such requisition is made in accordance with the Companies Acts after 31st January in any year and prior to the Annual General Meeting to be held in that year, the company shall require that the requisitionists deposit or tender a sum sufficient to meet the Company's reasonable expenses in complying with such requisition in accordance with the Companies Acts.

Proceedings at General Meetings (including Annual General Meetings)

50. Electronic General Meetings

(A) The board may determine that a general meeting shall be held as a physical meeting or in combination with an electronic platform or platforms that enables members to participate in the meeting without physically attending. A general meeting held partially on an electronic platform in combination with a physical meeting is referred in these articles as an "**electronic general meeting**".

(B) The board may make arrangements for an electronic platform to permit members or their proxies who are not present together at the same physical place to attend, speak and vote at an electronic general meeting by electronic means, and to permit directors or others to attend and speak, and the chairman of the meeting to preside, at an electronic general meeting by electronic means. That meeting shall be duly constituted and its proceedings valid if the chairman of the general meeting is satisfied that adequate facilities are available throughout the electronic general meeting to ensure that members attending the electronic general meeting may participate in the business of the general meeting.

(C) The notice of an electronic general meeting shall specify the physical place of that meeting and shall specify the electronic platform and arrangements by which members or their proxies may participate in the meeting.

(D) A member who is entitled to vote and who participates or is represented by a proxy by means of a specified electronic platform at an electronic general meeting shall be counted in the quorum for that general meeting.

(E) The board may make arrangements for any documents which are required to be made available to the meeting to be accessible electronically to members or their proxies.

(F) Nothing in these articles prevents a general meeting being held only at a physical location, however a general meeting cannot be held solely on an electronic platform.

51. Quorum

(A) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by these articles, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A shareholder which is a company is to be considered present if it is represented by a duly authorised representative.

(B) If the directors so determine, any or all members (or their proxies) may participate in a general meeting by means of a conference telephone, video teleconference equipment or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. A meeting which takes place by conference telephone, video teleconference or other such communication equipment will be treated as taking place at the place where the chairman is.

52. Procedure if Quorum Not Present

If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting:

(i) if convened by or upon the requisition of members, shall be dissolved; and

(ii) in any other case, it shall stand adjourned to such other day (being not less than ten days later, excluding the day on which the meeting is adjourned and the day for which it is reconvened) and at such other time or place as the chairman of the meeting may decide. At any adjourned meeting one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum and any notice of an adjourned meeting shall state that one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum.

53. Security Arrangements

(A) The directors or the secretary may take any action and may put in place any arrangements both before and during any meeting that they/he consider appropriate for:

(i) the safety of people attending a meeting;

(ii) proper and orderly conduct of a meeting; or

(iii) the meeting to reflect the wishes of the majority.

(B) This includes the power to refuse entry to, or eject from meetings, any person who fails to comply with any arrangements made or any person who in the opinion of the directors or the secretary is acting in a manner that threatens the safety of people attending the meeting and/or the proper and orderly conduct at a meeting.

(C) The board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions (including, without limitation, a requirement that such persons refrain from taking electronic

equipment into a general meeting) as the board shall consider appropriate in the circumstances and the board shall be entitled in its absolute discretion to, or to authorise some one or more persons who shall include a director or the secretary or the chairman of the meeting to, refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

54. Confidential Information

No shareholder at any general meeting is entitled to require disclosure of or any information about any detail of the company's trading, or any matter that is or may be in the nature of a trade secret, commercial secret or secret process, or that may relate to the conduct of the business of the company, if the directors decide it would be inexpedient in the interests of the company to make that information public.

55. Chairman of General Meeting

The chairman (if any) of the board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor any deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting. Nothing in these articles shall restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.

56. Orderly Conduct

(A) The chairman of the meeting shall take such action or give directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting. The chairman's decision on points of order, matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any point or matter is of such a nature.

(B) The directors may arrange for any people who they consider cannot be seated in the main meeting room, where the chairman will be, to attend and take part in a general meeting in an overflow room or rooms. Any overflow room will have a live video link from the main room, and a two-way sound link. The notice of the meeting does not have to give details of any arrangements under this Article. The directors may decide how to divide people between the main room and any overflow room. If any overflow room is used, the meeting will be treated as being held, and taking place, in the main room.

57. Entitlement to Attend and Speak

Each director shall be entitled to attend and speak at any general meeting of the company. The chairman of the meeting may invite any person to attend and speak at any general meeting of the company where he considers that this will assist in the deliberations of the meeting.

58. Adjournments

The chairman of the meeting may at any time without the consent of the meeting adjourn any meeting (whether or not it has commenced or a quorum is present) either to a later time on the same day or to another time or place where it appears to him that (a) the members entitled to vote and wishing to attend cannot be conveniently accommodated in the place appointed for the meeting (b) the conduct of persons present prevents or is likely to prevent the orderly continuation of business (c) in relation to an electronic general meeting, the electronic platforms or arrangements for that meeting become inadequate for the purpose of ensuring that members can participate properly and in an orderly and secure way or (d) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted. In addition, the chairman of the meeting may at any time with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting either sine die or to another time or place. When a meeting is adjourned sine die the time and place for the adjourned meeting shall be fixed by the board. No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place. Any meeting may be adjourned more than once.

59. Notice of Adjournment

If the continuation of an adjourned meeting is to take place three months or more after it was adjourned or if business is to be transacted at an adjourned meeting the general nature of which was not stated in the notice of the original meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as provided in this article, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting.

Amendments

60. Amendments to Resolutions

In the case of a resolution duly proposed as a special resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon and in the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon unless either at least two working days prior to the date appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move the same has been received by the company at its office or the chairman of the meeting in his absolute discretion decides that it may be considered or voted upon. With the consent of the chairman of the meeting, an amendment may be withdrawn by its proposer before it is put to the vote.

61. Amendments Ruled Out of Order

If an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

Voting

62. Votes of Members

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of these articles, members shall be entitled to vote at a general meeting as provided in the Companies Acts.

63. Method of Voting

At any general meeting, including any electronic general meeting, a resolution put to the vote of the meeting shall be decided on a poll, which shall be taken in such manner as the chairman of the meeting shall direct, including by means of electronic vote casters. The result of the vote shall be deemed to be the resolution of the meeting at which the vote was demanded. A vote to elect the chairman of the meeting or to adjourn the meeting must be taken immediately at the meeting. Any other vote may be taken at any other time (within 30 days of the meeting) and place determined by the chairman. The chairman can appoint scrutineers (who need not be shareholders) and set a day, time and place for the result of the poll to be declared.

64. Votes of Joint Holders

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

65. Voting on Behalf of Incapable Member

A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from a mental disorder or is otherwise incapable of managing his affairs may vote at any general meeting of the company and may exercise any other right conferred by membership in relation to general meetings by or through any person authorised in such circumstances to do so on his behalf (and that person may vote by proxy), provided that evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote or such other right has been received by the company not later than the last time at which appointments of proxy should have been received in order to be valid for use at that meeting or on the holding of that poll.

66. No Right to Vote where Sums Overdue on Shares

No member shall, unless the board otherwise decides, be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting of the company or to exercise any other right conferred by membership in relation to general meetings unless all calls or other sums presently payable by him in respect of that share have been paid.

67. Objections or Errors in Voting

If:

(i) any objection shall be raised to the qualification of any voter, or

(ii) any votes have been counted which ought not to have been counted or which might have been rejected, or

(iii) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

Approved Depositaries

68. Meaning of Approved Depositary

(A) In these articles, unless the context otherwise requires, "**Approved Depositary**" means a person approved by the board and appointed:

(i) to hold the company's shares or any rights or interests in any of the company's shares; and

(ii) to issue securities, documents of title or other documents which evidence that the holder of them owns or is entitled to receive the shares, rights or interests held by the Approved Depository,

and shall include a nominee acting for a person appointed to do these things.

(B) The trustees of any scheme or arrangements for or principally for the benefit of employees of the company and its associated companies will be deemed to be an Approved Depositary for the purposes of these articles unless the board resolves otherwise.

(C) References in these articles to an Approved Depositary or to shares held by it refer only to an Approved Depositary and to its shares held in its capacity as an Approved Depositary.

69. Appointment of Approved Depositaries

Subject to these articles and to applicable law, an Approved Depositary may appoint as its proxy or proxies in relation to any ordinary shares which it holds, anyone it thinks fit and may determine the manner and terms of any such appointment. Each appointment must state the number and class of shares to which it relates and the total number of shares of each class in respect of which appointments exist at any one time, which must not exceed the total number of shares of each such class registered in the name of the Approved Depositary or its nominee (the "**Depositary Shares**") at that time.

70. Register of Approved Depositaries

The Approved Depositary must keep a register (the "**Proxy Register**") of each person it has appointed as a proxy under Article 72 (an "**Appointed Proxy**") and the number of Depositary Shares (his "**Appointed Number**") to which the appointment relates. The directors will determine the requisite information to be recorded in the Proxy Register relating to each Appointed Proxy.

Any person authorised by the company may inspect the Proxy Register during usual business hours and the Approved Depositary will give such person any information which he requests as to the contents of the Proxy Register.

71. Approved Depositaries' Attendance at General Meetings

(A) An Appointed Proxy may only attend a general meeting if he provides the company with written evidence of his appointment as such. This must be in a form agreed between the directors and the Approved Depositary.

(B) Subject to applicable law and to these articles, and so long as the Approved Depositary or a nominee of the Approved Depositary holds at least his Appointed Number of shares, an Appointed Proxy is entitled to attend a general meeting which holders of that class of shares are entitled to attend, and he is entitled to the same rights, and subject to the same obligations, in relation to his Appointed Number of Depositary Shares as if he had been validly appointed in accordance with Articles 74 to 78 by the registered holder of these shares as its proxy in relation to those shares.

72. Proxies of Appointed Depositaries

An Appointed Proxy may appoint another person as his proxy for his Appointed Number of Depositary Shares, provided the appointment is made and deposited in accordance with Articles 74 to 78. These articles apply to that appointment and to the person so appointed as though those Depositary Shares were registered in the name of the Appointed Proxy and the appointment was made by him in that capacity. The directors may require such evidence as they think appropriate to decide that such appointment is effective.

73. Identifying Appointed Proxies

(A) For the purposes of determining who is entitled as an Appointed Proxy to exercise the rights conferred by Articles 71 and 72 and the number of Depositary Shares in respect of which a person is to be treated as having been appointed as an Appointed Proxy for these purposes, the Approved Depositary may decide that the Appointed Proxies who are so entitled are the persons entered in the Proxy Register at a time and on a date (a "**Record Time**") agreed between the Approved Depositary and the company.

(B) When a Record Date is decided for a particular purpose:

(i) an Appointed Proxy is to be treated as having been appointed for that purpose for the number and class of shares appearing against his name in the Proxy Register as at the Record Time; and

(ii) changes to entries in the Proxy Register after the Record Time will be ignored for this purpose.

(C) Except for recognising the rights given in relation to General Meetings by appointments made by Appointed Proxies pursuant to Article 72, the company is entitled to treat any person entered in the Proxy Register as an Appointed Proxy as the only person (other than the Approved Depositary) who has any interest in the Depositary Shares in respect of which the Appointed Proxy has been appointed.

(D) At a general meeting the chairman has the final decision as to whether any person has the right to vote or exercise any other right relating to any Depositary Shares. In any other situation, the directors have the final decision as to whether any person has the right to exercise any right relating to any Depositary Shares.

Proxies

74. Appointment of Proxies

The appointment of a proxy shall be in writing signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, shall either be executed under its seal or signed by an officer, attorney or other person authorised to sign it. If a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member in a general meeting over more shares than are held by the member, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the relevant general meeting.

75. Receipt of Proxies

(A) The appointment of a proxy must:

(i) in the case of an appointment made in hard copy form, be received at the office (or such other place in the United Kingdom or in the United States as may be specified by the company for the receipt of appointments of proxy in hard copy form) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote together with (if required by the board) any authority under which it is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board;

(ii) in the case of an appointment made by electronic means, be received at the address specified by the company for the receipt of appointments of proxy by electronic means not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. Any authority pursuant to which such an appointment is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board, must, if required by the board, be received at such address or at the office (or such other place in the United Kingdom as may be specified by the company for the receipt of such documents) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;

(iii) in the case of an appointment delivered by an Approved Depositary (except in respect of a proxy appointed in accordance with Article 69) be delivered to the appropriate place referred to in (i) or (ii) above, as appropriate, depending on whether the appointment is made in hard copy or electronic form;

(iv) in the case of a vote taken more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid not less than 24 hours (or such shorter time as the board may determine) before the time appointed for the taking of the vote; and

(v) in the case of a vote taken not more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid by the time at which the vote was demanded (or at such later time as the board may determine),

and an appointment of a proxy which is not, or in respect of which the authority or copy thereof is not, received in a manner so permitted shall be invalid. When two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting or poll, the one which is last received (regardless of its date or of the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the company is unable to determine which was last received, none of them shall be treated as valid in respect of that share. The appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in these articles, but because of a technical problem it cannot be read by the recipient.

(B) The board may at its discretion determine that in calculating the periods mentioned in this article no account shall be taken of any part of a day that is not a working day.

76. Maximum Validity of Proxy

No appointment of a proxy shall be valid after 12 months have elapsed from the date of its receipt save that, unless the contrary is stated in it, an appointment of a proxy shall be valid for use at an adjourned meeting or vote after a meeting or an adjourned meeting even after 12 months, if it was valid for the original meeting.

77. Form of Proxy

The appointment of a proxy shall be in any usual form or in such other form as the board may approve. The appointment of a proxy shall be deemed to confer authority to vote on any amendment of a resolution put to, or any other business which may properly come before, the meeting for which it is given as the proxy thinks fit. The appointment of a proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

78. Cancellation of Proxy's Authority

A vote given by a proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting, unless notice in writing of the determination was received by the company at the office (or such other place or address as was specified by the company for the receipt of appointments of proxy) not later than the last time at which an appointment of a proxy should have been received in order to be valid for use at the meeting at which the vote was given.

Class Meetings

79. Separate General Meetings

The provisions of these articles relating to general meetings shall apply, with any necessary modifications to any separate general meeting of the holders of shares of a class convened otherwise than in connection with the variation or abrogation of the rights attached to the shares of that class. For this purpose, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

Appointment, Retirement and Removal of Directors

80. Number of Directors

Unless otherwise determined by ordinary resolution of the company, the directors (disregarding alternate directors) shall be not less than two nor more than 24 in number.

81. Directors' Shareholding Qualification

No shareholding qualification for directors shall be required.

82. Power of Company to Appoint Directors

Subject to the provisions of these articles, the company may by ordinary resolution elect any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles.

83. Power of Board to Appoint Directors

Subject to the provisions of these articles, the board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

84. Annual Retirement of Directors

At every annual general meeting each of the directors shall retire from office and may offer himself for re-appointment by the members.

85. Filling Vacancies

Subject to the provisions of these articles, at the meeting at which a director retires the company can pass an ordinary resolution to re-appoint the director or to elect some other eligible person in his place.

86. Power of Removal by Special Resolution

In addition to any power of removal conferred by the Companies Acts, the company may by special resolution remove any director before the expiration of his period of office and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place.

87. Persons Eligible as Directors

No person other than a director retiring at the meeting shall be appointed or re-appointed a director at any general meeting unless:

(i) he is recommended by the board; or

(ii) not less than seven nor more than 42 days before the day appointed for the meeting, notice in writing by a member qualified to vote at the meeting (not being the person to be proposed) has been given to the secretary of the intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed.

88. Position of Retiring Directors

A director who retires at an annual general meeting may, if willing to continue to act, be re-appointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

89. Vacation of Office by Directors

Without prejudice to the provisions for retirement contained in these articles, the office of a director shall be vacated if:

(i) he resigns his office by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board; or

(ii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, he offers to resign and the board resolves to accept such offer; or

(iii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, his resignation is requested by all of the other directors and all of the other directors are not less than three in number; or

(iv) he is or has been suffering from mental or physical ill health and the board resolves that his office is vacated; or

(v) he is absent without the permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated; or

(vi) he becomes bankrupt or compounds with his creditors generally; or

(vii) he is prohibited by law from being a director; or

(viii) he ceases to be a director by virtue of the Companies Acts or is removed from office pursuant to these articles.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the board.

90. Alternate Directors

(A) Each director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a director, the appointment, unless previously approved by the board, shall have effect only upon and subject to its being so approved. Any appointment or removal

of an alternate director shall be effected by notice in writing signed by the appointor and sent to or received at the office or at an address specified by the company for the purpose of communication by electronic means or tendered at a meeting of the board, or in any other manner approved by the board. An alternate director shall be entitled to receive notice of all meetings of the board or of committees of the board of which his appointor is a member. He shall also be entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and at such meeting to exercise and discharge all the functions, powers, rights and duties of his appointor as a director and for the purposes of the proceedings at such meeting the provisions of these articles shall apply as if he were a director.

(B) Every person acting as an alternate director shall (except as regards power to appoint an alternate and remuneration) be subject in all respects to the provisions of these articles relating to directors and shall during his appointment be an officer of the company. An alternate director shall alone be responsible to the company for his acts and defaults and shall not be deemed to be the agent of or for the director appointing him. An alternate director may be paid expenses and shall be entitled to be indemnified by the company to the same extent as if he were a director. An alternate director shall not be entitled to receive from the company any fee in his capacity as an alternate director but the company shall, if so requested in writing by the appointor, pay to the alternate director any part of the fees or remuneration otherwise due to the appointor.

(C) A director or any other person may act as an alternate director to represent more than one director. Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director but he shall count as only one for the purposes of determining whether a quorum is present. Signature by an alternate director of any resolution in writing of the board or a committee of the board shall, unless the notice of his appointment provides to the contrary, be as effective as signature by his appointor.

(D) An alternate director shall cease to be an alternate director:

(i) if his appointor ceases for any reason to be a director except that, if at any meeting any director retires but is re-appointed at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired; or

(ii) on the happening of any event which if he were a director would cause him to vacate his office as director; or

(iii) if he resigns his office by notice in writing to the company.

91. Executive Directors

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the company for such period and upon such other terms as the board or any committee authorised by the board

may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against the company or the company may have against the director for any breach of any contract of service between him and the company which may be involved in the revocation or termination. A director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide, and either in addition to or in lieu of his remuneration as a director.

Fees, Remuneration, Expenses and Pensions

92. Directors' Fees

(A) The directors can decide on the amount, timing and manner of payment of fees to be paid by the company to the directors for acting as directors, but the total fees paid to all of the directors for acting as directors (including amounts paid under Article 93(ii) to 93(v) but excluding any amounts paid under any other provision of these articles) shall not exceed the higher of:

(i) £3 million a year; and

(ii) any higher amount as the company may by ordinary resolution decide.

These fees can be satisfied in cash or in any other form.

(B) If the directors decide to satisfy any of these fees in shares or in any other non-cash form, the value of the shares or other assets to be counted towards this limit will be their value at the time the entitlement to them is first allocated, or provisionally allocated, to the director. This value will be taken into account for the purpose of the limit in the year in which the entitlement is first allocated, or provisionally allocated, and not in any later year when the fees, shares or other assets are actually paid or delivered to the director. This paragraph applies even if:

(i) the director's entitlement to the fees, or to receive the assets, is subject to conditions which will, or may, be fulfilled at a later time;

(ii) the fees, shares or other assets are to be, or may be, paid or delivered to the director at a later time or the director elects, agrees or is required to receive the cash equivalent of the shares or other assets as determined by reference to their value at such later time;

(iii) the company has not paid for the relevant shares or other assets at the time the director first becomes, or becomes provisionally, entitled to them, and their value subsequently changes.

(C) Unless an ordinary resolution is passed saying otherwise, the fees will be divided between some or all of the directors in the way that they decide. If they fail to decide, the fees will be shared equally by the directors, except that any director holding office as a director for only part of the period covered by the fee is only entitled to a pro rata share covering that part period.

93. Additional Remuneration

The directors can award special pay to any director who:

(i) holds any executive post;

(ii) acts as chairman;

(iii) acts as senior independent director;

(iv) acts as a scientific/medical expert on the board;

(v) is chairman of, or serves on, any committee of the directors; or

(vi) performs any other services which the directors consider to extend beyond the ordinary duties of a director.

Special pay can take the form of salary, commission or other benefits or can be paid in some other way. This is decided on by the directors.

94. Expenses

(A) Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the board or committees of the board or general meetings of the company or any other meeting which as a director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the company's business or in the discharge of his duties as a director. The company may also fund a director's or former director's expenditure for the purposes permitted under the Companies Acts and may do anything to enable a director or former director of the company to avoid incurring such expenditure as provided in the Companies Acts.

(B) The directors can award extra pay to any director who, at the request of the directors, performs special services or goes or lives abroad for any purposes of the company.

95. Pensions and Gratuities for Directors

The board or any committee authorised by the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, or dependants of, or persons connected to, any director or former director, provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a director or former director who has not been employed by, or held an executive office or place of profit under, the company or any body corporate which is or has been its subsidiary undertaking or any predecessor in business of the company or any such body corporate without the approval of an ordinary resolution of the company. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

96. Conflicts of interest requiring board authorisation

(A) The board may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the Companies Acts to avoid conflicts of interest ("**Conflict**").

(B) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.

(C) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of these articles save that:

(i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

(ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.

(D) Where the board gives authority in relation to a Conflict, or where any of the situations described in Article 97(B) apply in relation to a director ("**Relevant Situation**"):

(i) the board may (whether at the relevant time or subsequently) (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;

(ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;

(iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

(iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and

(v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.

97. Other conflicts of interest

(A) If a director is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must declare the nature and extent of that interest to the directors in accordance with the Companies Acts.

(B) Provided he has declared his interest in accordance with paragraph (A), a director may:

(i) be party to, or otherwise interested in, any contract with the company or in which the company has a direct or indirect interest;

(ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide;

(iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);

(iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and

(v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

98. Benefits

A director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the company or the members for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised under Article 96(A) or permitted under Article 97(B) and no contract shall be liable to be avoided on the grounds of a director having any type of interest authorised under Article 96(A) or permitted under Article 97(B).

99. Quorum and voting requirements

(A) A director shall not vote on or be counted in the quorum in relation to any resolution of the board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the company or any other company in which the company is interested.

(B) Where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more directors to offices or places of profit with the company or any other company in which the company is interested, a separate resolution may be put in relation to each director and in that case each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another director to an office or place of profit with a company in which the company is interested and the director seeking to vote or be counted in the quorum has a Relevant Interest in it.

(C) A director shall not vote on, or be counted in the quorum in relation to, any resolution of the board in respect of any contract in which he has an interest and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest arises only from one or more of the following matters:

(i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the company or any of its subsidiary undertakings;

(ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) the giving to him of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;

(iv) the funding by the company of his expenditure on defending proceedings or the doing by the company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;

(v) where the company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;

(vi) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company;

(vii) any contract concerning any other company (not being a company in which the director has a Relevant Interest) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(viii) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors and employees of the company or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

(ix) any contract for the benefit of employees of the company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the contract relates; and

(x) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors or for, or for the benefit of, persons who include directors.

(D) A company shall be deemed to be one in which a director has a Relevant Interest if and so long as (but only if and so long as) he is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company. In relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

(E) Where a company in which a director has a Relevant Interest is interested in a contract, he also shall be deemed interested in that contract.

(F) If any question shall arise at any meeting of the board as to the interest of a director (other than the chairman of the meeting) in a contract and whether it is likely to give rise to a conflict of interest or as to the entitlement of any director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the director concerned shall be conclusive except in a case where the nature or extent of the director's interest (so far as it is known to him) has not been fairly disclosed to the board. If any question shall arise in respect of the chairman of the meeting, the question shall be decided by a resolution of the board (for which purpose the chairman of the meeting shall be counted in the quorum but

shall not vote on the matter) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the board.

(G) Subject to these articles, the board may also cause any voting power conferred by the shares in any other company held or owned by the company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the directors or any of them as directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company. Subject to these articles, a director may also vote on and be counted in the quorum in relation to any of such matters.

100. General

(A) References in Articles 96 to 99 to:

(i) a contract include references to any proposed contract and to any transaction or arrangement or proposed transaction or arrangement whether or not constituting a contract; and

(ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.

(B) The company may by ordinary resolution suspend or relax the provisions of Articles 95 to 98 to any extent or ratify any contract not properly authorised by reason of a contravention of any of the provisions of Articles 96 to 99.

Powers and Duties of the Board

101. General Powers of Company Vested in Board

Subject to the these articles and to any directions given by the company in general meeting by special resolution, the business of the company shall be managed by the board which may exercise all the powers of the company whether relating to the management of the business of the company or not. No alteration of these articles and no special resolution shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by any other article.

102. Borrowing Powers

Subject to the provisions of the Companies Acts, the directors may exercise all the powers of the company:

(i) to borrow money;

(ii) to mortgage or charge all or any of the company's undertaking, property (present and future) and uncalled capital;

(iii) to issue debentures and other securities; and

(iv) to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

103. Agents

(A) The board can appoint anyone as the company's attorney by granting a power of attorney or by authorising them in some other way. Attorneys can either be appointed directly by the board or the board can give someone else the power to select attorneys. The board or the persons who are authorised by it to select attorneys can decide on the purposes, powers, authorities and discretions of attorneys. But they cannot give an attorney any power, authority or discretion which the board does not have under these articles.

(B) The board can decide how long a power of attorney will last for and attach any conditions to it. The power of attorney can include any provisions which the board decides on for the protection and convenience of anybody dealing with the attorney. The power of attorney can allow the attorney to grant any or all of his power, authority or discretion to any other person.

(C) The board can:

(i) delegate any of its authority, powers or discretions to any manager or agent of the company;

(ii) allow managers or agents to delegate to another person;

(iii) remove any people it has appointed in any of these ways; and

(iv) cancel or change anything that it has delegated, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or change.

(D) Any appointment or delegation by the board which is referred to in this article can be on any conditions decided on by the board.

(E) The ability of the board to delegate under this article applies to all its powers and is not limited because certain articles refer to powers being exercised by the board or by a committee authorised by the board while other articles do not.

104. Delegation to Individual Directors

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, authorities and discretions and may from time to time revoke or vary all or any of them but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be

limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

105. Registers

The company may keep an overseas or local or other register in any place and the board may make and vary such regulations as it may think fit respecting the keeping of the register.

106. Provision for Employees

The board may exercise any power conferred by the Companies Acts to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

Proceedings of the Board

107. Board Meetings

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A director at any time may, and the secretary on the requisition of a director at any time shall, summon a board meeting.

108. Notice of Board Meetings

Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose. A director may waive his entitlement to notice of any meeting either prospectively or retrospectively and any retrospective waiver shall not affect the validity of the meeting or of any business conducted at the meeting.

109. Quorum

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of these articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

110. Directors below Minimum through Vacancies

The continuing directors or a sole continuing director may act notwithstanding any vacancy in their number but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with these articles or is below the number fixed by or in accordance with these articles as the quorum or there is only one continuing director, the continuing directors or director may act for the purpose of filling vacancies or

of summoning general meetings of the company but not for any other purpose. If there are no directors or director able or willing to act, then any two members (excluding any member holding shares as treasury shares) may summon a general meeting for the purpose of appointing directors.

111. Appointment of Chairman

The board may appoint a director to be the chairman or a deputy chairman of the board, and may at any time remove him from that office. The chairman of the board or failing him a deputy chairman shall act as chairman at every meeting of the board. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. But if no chairman of the board or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting. References in these articles to a deputy chairman include, if no one has been appointed to that title, a person appointed to a position with another title which the board designates as equivalent to the position of deputy chairman.

112. Competence of Meetings

A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the board.

113. Voting

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

114. Delegation to Committees

(A) The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. References in these articles to committees include sub-committees permitted under this article.

(B) Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these articles for regulating the meetings and proceedings of the board so far as the same are applicable and are not superseded by any regulations imposed by the board.

(C) The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

115. Participation in Meetings

All or any of the members of the board may participate in a meeting of the board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other or by a series of telephone calls from the chairman of the meeting. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly. Any such meeting will be treated as taking place where the chairman is located.

116. Resolution in Writing

A resolution in writing signed by all the directors who are at the relevant time entitled to receive notice of a meeting of the board and who would be entitled to vote on the resolution at a meeting of the board (if that number is sufficient to constitute a quorum) shall be as valid and effectual as a resolution passed at a meeting of the board properly called and constituted. The resolution may be contained in one document or in several documents in like form each signed by one or more of the directors concerned.

117. Validity of Acts of Board or Committee

All acts done by the board or by any committee or by any person acting as a director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the board or committee or person so acting or that they or any of them were disqualified from holding office or had vacated office or were not entitled to vote, be as valid as if each such member or person had been properly appointed and was qualified and had continued to be a director or member of the committee and had been entitled to vote.

Seals

118. Use of Seals

The board shall provide for the custody of every seal of the company. A seal shall only be used by the authority of the board or of a committee of the board authorised by the board in that behalf. Subject as otherwise provided in these articles, and to any resolution of the board or committee of the board dispensing with the requirement for any counter-signature on any occasion, any instrument to which the common seal is applied shall be signed by at least one director and the secretary, or by at least two directors or by one director in the presence of a witness who attests the signature or by such other person or persons as the board may approve. Any instrument to which an official seal is applied need not, unless the board otherwise decides or the law otherwise requires, be signed by any person.

Dividends and Other Payments

119. Declaration of Dividends by Company

The company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.

120. Payment of Interim and Fixed Dividends by Board

The board may pay such interim dividends as appear to the board to be justified by the financial position of the company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the company, in the opinion of the board, justifies its payment. If the board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

121. Calculation and Currency of Dividends

(A) Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid; and

(iii) dividends may be declared or paid in any currency.

(B) The board may decide the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.

(C) The board may also decide that a particular Approved Depositary should be able to receive dividends in a currency other than the currency in which it is declared and may make arrangements accordingly. In particular, if an Approved Depositary has chosen or agreed to receive dividends in another currency, the directors may make arrangements with that Approved Depositary for payment to be made to them for value on the date on which the relevant dividend is paid, or a later date decided on by the directors.

122. Amounts Due on Shares may be Deducted from Dividends

The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company. Sums so deducted can be used to pay amounts owing to the company in respect of the shares.

123. No Interest on Dividends

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by the company on or in respect of any share shall bear interest against the company.

124. Payment Procedure

(A) Any dividend or other sum payable in cash by the company in respect of a share may be paid:

(i) by inter-bank transfer or by other electronic means (including payment through CREST) directly to an account with a bank or other financial institution (or other organisations operating deposit accounts if allowed by the company) named in a written instruction from the persons entitled to receive the payment under this article;

(ii) by sending a cheque, warrant or similar financial instrument by post addressed to the holder at his registered address;

(iii) by sending a cheque, warrant or similar financial instrument payable to someone else named in a written instruction from the shareholder (or all joint shareholders) and sent by post to the address specified in that instruction; or

(iv) in some other way requested in writing by the shareholder (or all joint shareholders) and agreed with the company.

(B) In respect of payment of any dividend or other money, the directors can decide and notify shareholders that:

(i) one or more of the payment means described in paragraph (A) above will be used for payment and, where more than one means will be used, a shareholder (or all joint shareholders) may elect to receive payment by one of the means so notified in the manner prescribed by the directors;

(ii) one or more of such means will be used for the payment unless a shareholder (or all joint shareholders) elects for another means of payment in the manner prescribed by the directors; or

(iii) one or more of such means will be used for the payment and that shareholders will not be able to elect to receive the payment by any other means.

(C) If:

(i) a shareholder (or all joint shareholders) does not specify an address, or does not specify an account of a type prescribed by the directors, or does not specify other details, and in each case that information is necessary in order to make payment of the dividend or other money in the way in which under this article the directors have decided that the payment is to be made or by which the shareholder (or all joint shareholders) has validly elected to receive the payment; or

(ii) payment cannot be made by the company using the information provided by the shareholder (or all joint shareholders),

then the dividend or other money will be treated as unclaimed for the purposes of these articles.

(D) For joint shareholders or persons jointly entitled to shares by law, payment can be made to the shareholder whose name stands first in the register. The company can then rely on a receipt for a dividend or other money paid on shares from any one of them on behalf of them all.

(E) Cheques, warrants and similar financial instruments are sent, and payment in any other way is made, at the risk of the person who is entitled to the money. The company is treated as having paid a dividend if the cheque, warrant or similar financial instrument is cleared or if a payment is made through CREST, bank transfer or other electronic means. The company will not be responsible for any payment which is lost or delayed.

(F) Where a person is entitled by transmission to a share, any dividend or other sum payable by the company in respect of the share may be paid as if he were a holder of the share and his address noted in the register were his registered address and where two or more persons are so entitled, any one of them may give effectual receipts for any dividends or other moneys payable or property distributable on or in respect of the shares.

125. Uncashed Dividends

The company may cease to send any cheque, warrant or similar financial instrument through the post or to employ any other means of payment, including payment by means of a relevant system, for any dividend payable on any shares in the company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends payable on those shares the cheques, warrants or similar financial instruments have been returned undelivered or remain uncashed during or at the end of the period for which the same are valid or that means of payment has failed. In addition, the company may cease to send any cheque, warrant or similar financial instrument through the post or may cease to employ any other means of payment if, in respect of one dividend payable on those shares, the cheque, warrant or similar financial instrument has been returned undelivered or remains uncashed during or at the end of the period for which the same is valid or that means of payment has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. Subject to the provisions of these articles, the company must recommence sending cheques, warrants or similar financial instruments or employing such other means in respect of dividends payable on those shares if the holder or person entitled by transmission requests such recommencement in writing.

126. Forfeiture of Unclaimed Dividends

All dividends or other sums payable on or in respect of any shares which remain unclaimed may be invested or otherwise made use of by the board for the benefit of the company until claimed. Any dividend or other sum unclaimed after a period of 12 years

from the date when it was declared or became due for payment shall be forfeited and shall revert to the company unless the board decides otherwise and the payment by the board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect of it.

127. Dividends Not in Cash

Any general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct, and the board may in relation to any interim dividend direct, that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, and where any difficulty arises in regard to the distribution the board may settle it as it thinks expedient, and in particular may authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any assets or any part thereof to be distributed and may determine that cash shall be paid to any members upon the footing of the value so fixed in order to secure equality of distribution and may vest any assets to be distributed in trustees as may seem expedient to the board.

128. Scrip Dividends and Dividend Plans Generally

The board may, if authorised by an ordinary resolution of the company, offer any holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution. The following provisions shall apply:

(i) an ordinary resolution may specify some or all of a particular dividend (whether or not already declared) or may specify some or all of any dividends declared or paid within a specified period, but such period may not end later than the third anniversary of the date of the meeting at which the ordinary resolution is passed;

(ii) the entitlement of each holder of ordinary shares to new ordinary shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forgo. For this purpose "**relevant value**" shall be calculated by reference to the average of the middle market quotations for the company's ordinary shares on the London Stock Exchange as derived from the Daily Official List (or any other publication of a recognised investment exchange showing quotations for the company's ordinary shares) on such five consecutive dealing days as the board shall determine provided that the first of such days shall be on or after the day on which the ordinary shares are first quoted "ex" the relevant dividend or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit;

(iii) no fraction of any ordinary share shall be allotted. The board may make such provisions as it thinks fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit thereof accrues to the company and/or

under which fractional entitlements are accrued and/or retained without interest and in each case accumulated on behalf of any holder of ordinary shares and such accruals or retentions are applied to the allotment by way of bonus to or cash subscription on behalf of such holder of fully paid ordinary shares and/or provisions whereby cash payments may be made to such holders in respect of their fractional entitlements;

(iv) the board, if it intends to offer an election in respect of any dividend, shall give notice to the holders of ordinary shares of the right of election offered to them, and specify the procedure to be followed which, for the avoidance of doubt, may include an election by means of a relevant system and the place at which, and the latest time by which, elections must be lodged in order for elections to be effective; no such notice need be given to holders of ordinary shares who have previously given election mandates in accordance with this article and whose mandates have not been revoked; the accidental omission to give notice of any right of election to, or the non receipt (even if the company becomes aware of such non-receipt) of any such notice by, any holder of ordinary shares entitled to the same shall neither invalidate any offer of an election nor give rise to any claim, suit or action;

(v) the board shall not proceed with any election unless the company has sufficient reserves or funds that may be capitalised, and the board has authority to allot sufficient shares, to give effect to it after the basis of allotment is determined;

(vi) the board may exclude or restrict from any offer any shareholder who is an Approved Depositary or a nominee for an Approved Depositary if the offer or exercise of the right to or by the persons on whose behalf the Approved Depositary holds the shares would suffer legal or practical problems of the kind mentioned in Article 128(vii). If other shareholders (other than those excluded under Article 128 (vii)) have the right to opt for new shares, the directors must be satisfied that an appropriate dividend reinvestment plan or similar arrangement is available to a substantial majority of the people on whose behalf the Approved Depositary holds shares or that such arrangement will be available promptly and the first sentence of this Article 128(vi) does not apply until the directors are satisfied of this;

(vii) the board may exclude from any offer or make other arrangement in relation to any holders of ordinary shares where the board believes that such exclusion or arrangement is necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or the board believes that for any other reason the offer should not be made to them;

(viii) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on ordinary shares in respect of which an election has been made (for the purposes of this article "**the elected ordinary shares**") and instead additional ordinary shares shall be allotted to the holders of the elected ordinary shares on the basis of allotment calculated as stated. For such purpose the board shall capitalise, out of any amount standing to the credit of any reserve or fund (including the retained earnings) at the relevant time whether or not the same is available for distribution as the board may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted on

that basis and apply it in paying up in full the appropriate number of ordinary shares for allotment and distribution to the holders of the elected ordinary shares on that basis. The board may do all acts and things considered necessary or expedient to give effect to any such capitalisation;

(ix) the additional ordinary shares when allotted shall rank pari passu in all respects with the fully-paid ordinary shares then in issue except that they will not be entitled to participation in the relevant dividend;

(x) unless the board otherwise determines, or unless the uncertificated securities rules otherwise require, the new ordinary share or shares which a member has elected to receive instead of cash in respect of the whole (or some part) of the specified dividend declared or paid in respect of his elected ordinary shares shall be in uncertificated form (in respect of the member's elected ordinary shares which were in uncertificated form on the date of the member's election) and in certificated form (in respect of the member's elected ordinary shares which were in certificated form on the date of the member's election);

(xi) the board may also from time to time establish or vary a procedure for election mandates, which, for the avoidance of doubt, may include an election by means of a relevant system, under which a holder of ordinary shares may elect in respect of future rights of election offered to that holder under this article until the election mandate is revoked or deemed to be revoked in accordance with the procedure;

(xii) the board may decide how any costs relating to making new shares available in place of a cash dividend will be met, including deciding to deduct an amount from the entitlement of a shareholder under this article; and

(xiii) at any time before new ordinary shares are allotted instead of cash in respect of any part of a dividend, the board may determine that such new ordinary shares will not be allotted. Any such determination may be made before or after any election has been made by holders of ordinary shares in respect of the relevant dividend.

Capitalisation of Reserves

129. Power to Capitalise Reserves and Funds

The company may, upon the recommendation of the board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount standing to the credit of any reserve or fund (including retained earnings) at the relevant time whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those members respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article: (i) a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full shares of the

company that are to be allotted and distributed as fully paid up; and (ii) where the amount capitalised is applied in paying up in full shares that are to be allotted and distributed as fully paid up, the company will also be entitled to participate in the relevant distribution in relation to any shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of members to the distribution will be calculated accordingly. The board may authorise any person to enter into an agreement with the company on behalf of the persons entitled to participate in the distribution and the agreement shall be binding on those persons.

130. Settlement of Difficulties in Distribution

Where any difficulty arises in regard to any distribution of any capitalised reserve or fund the board may settle the matter as it thinks expedient and in particular may authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties, as may seem expedient to the board.

Record Dates

131. Power to Choose Any Record Date

Notwithstanding any other provision of these articles, the company or the board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made. The power to fix any such record date shall include the power to fix a time on the chosen date.

Records and Summary Financial Statements

132. Inspection of Records

No member in his capacity as such shall have any right of inspecting any accounting record or book or document of the company except as conferred by law, ordered by a court of competent jurisdiction or authorised by the board or by ordinary resolution of the company.

133. Summary Financial Statements

The company may send or supply copies of its strategic reports with supplementary materials to its members instead of copies of its full accounts and reports.

Service of Notices, Documents and Other Information

134. Method of Service

(A) Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any member by the company:

(i) personally;

(ii) by sending it through the post addressed to the member at his registered address or by leaving it at that address addressed to the member;

(iii) by means of a relevant system;

(iv) where appropriate, by sending or supplying it in electronic form to an address notified by the member to the company for that purpose;

(v) where appropriate, by making it available on a website and notifying the member of its availability in accordance with this article; or

(vi) by any other means authorised in writing by the member.

In the case of joint holders of a share, service, sending or supply of any notice, document or other information on or to one of the joint holders shall for all purposes be deemed a sufficient service on or sending or supplying to all the joint holders.

(B) In the case of joint holders of a share, anything to be agreed or specified in relation to any notice, document or other information to be served on or sent or supplied to them may be agreed or specified by any one of the joint holders and the agreement or specification of the senior shall be accepted to the exclusion of that of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

(C) If any member, including any joint holder, who is without a United Kingdom or United States postal address provides the company with such postal address is entitled to have notice or documents served or supplied to him at that address. If such a member fails to provide the company with a United Kingdom or United States postal address he may be ignored for the purposes of sufficient service or supply of any notice or documents.

(D) If on three consecutive occasions any notice, document or other information served on or sent or supplied to a member has been returned undelivered, such member shall not thereafter be entitled to receive notices, documents or other information from the company until he shall have communicated with the company and supplied to the company (or its agent) a new registered address, or a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information, or shall have informed the company of an address for the service of notices and the despatch or supply of documents and other information in electronic form. For these purposes, any notice, document or other information sent by post shall be treated as returned undelivered if the notice, document or other information is served, sent or supplied back to the company (or its agents) and a notice, document or other information served, sent or supplied in electronic form shall be treated as returned undelivered if the company (or its agents) receives notification that the notice, document or other information was not delivered to the address to which it was sent. For the avoidance of doubt, a notice, document or other information served, sent or supplied in electronic form shall not be treated as a failure to deliver if the company (or its agents) receives an out of office notification from such member.

(E) The company may at any time and in its sole discretion choose (a) to serve, send or supply notices, documents or other information in hard copy form alone to some or all members; and (b) not to serve, send or supply any notice, document or other information to a particular member where it considers this necessary or appropriate to deal with legal, regulatory or practical problems in, or under the laws of, any territory.

135. Record Date for Service

Any notice, document or other information may be served, sent or supplied by the company by reference to the register as it stands at any time not more than 15 days before the date of service, sending or supply. No change in the register after that time shall invalidate that service, sending or supply. Where any notice, document or other information is served on or sent or supplied to any person in respect of a share in accordance with these articles, no person deriving any title or interest in that share shall be entitled to any further service, sending or supply of that notice, document or other information.

136. Members Resident Abroad or on Branch Registers

(A) Any member whose registered address is not within the United Kingdom or the United States and who gives to the company a postal address within the United Kingdom or the United States at which notices, documents or other information may be served upon, or sent or supplied to, him shall be entitled to have notices, documents or other information served on or sent or supplied to him at that address or, where applicable, by making them available on a website and notifying the holder at that address. Any member whose registered address is not within the United Kingdom or the United States and who gives to the company an address for the purposes of communications by electronic means may, subject to these articles, have notices, documents or other information served on or sent or supplied to him at that address or, where applicable, by making them available on a website and notifying the holder at that address. Otherwise, a member whose registered address is not within the United Kingdom or the United States shall not be entitled to receive any notice, document or other information from the company.

(B) For a member registered on a branch register, notices, documents or other information can be posted or despatched in the United Kingdom, the United States or in the country where the branch register is kept.

137. Service of Notice on Person Entitled by Transmission

(A) This article applies where a member has died or become bankrupt or is in liquidation, or where someone else has otherwise become entitled by law to that member's shares, but is still registered as a member, it applies whether he is registered as a sole or joint member.

(B) A person who is entitled by transmission to a share, and who proves this to the reasonable satisfaction of the directors, upon supplying the company with a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information, shall

be entitled to have served upon or sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, to be notified at that address of the availability of the notice, document or other information on a website.

(C) A person who is entitled by transmission to a share, and who proves this to the reasonable satisfaction of the directors, upon supplying the company with an address for the purposes of communications by electronic means for the service of notices and the despatch or supply of documents and other information, may have served on, sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, may be notified at that address of the availability of the notice, document or other information on a website.

(D) In either case under paragraphs (B) and (C) above, such service, sending or supply shall for all purposes be deemed a sufficient service, sending or supply of such notice, document or other information on all persons interested (whether jointly with or as claimants through or under him) in the share.

(E) Otherwise, any notice, document or other information served on or sent or supplied to any member pursuant to these articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the company has notice of the death, bankruptcy or other event, be deemed to have been properly served, sent or supplied in respect of any share registered in the name of that member as sole or joint holder.

138. Deemed Delivery

(A) Any notice, document or other information, if served, sent or supplied by the company by post, shall be deemed to have been received on the day following that on which it was posted if first class post was used or 48 hours after it was posted if first class post was not used and, in proving that a notice, document or other information was served, sent or supplied, it shall be sufficient to prove that the notice, document or other information was properly addressed, prepaid and put in the post.

(B) Any notice, document or other information not served, sent or supplied by post but left by the company at a registered address or at an address (other than an address for the purposes of communications by electronic means) notified to the company in accordance with these articles by a person who is entitled by transmission to a share shall be deemed to have been received on the day it was so left.

(C) Any notice, document or other information served, sent or supplied by the company by means of a relevant system shall be deemed to have been received when the company or any sponsoring system-participant acting on its behalf sends the issuer-instruction relating to the notice, document or other information.

(D) Any notice, document or other information served, sent or supplied by the company using electronic means shall be deemed to have been received on the day on which it was sent notwithstanding that the company subsequently sends a hard copy of such notice, document or information by post. Any notice, document or other information made available on a website shall be deemed to have been received on the day on which the notice, document or other information was first made available on the website or, if later, when a notice of availability is received or deemed to have been received pursuant to this article. In proving that a notice, document or other information served, sent or supplied by electronic means was served, sent or supplied, it shall be sufficient to prove that it was properly addressed.

(E) Any notice, document or other information served, sent or supplied by the company by any other means authorised in writing by the member concerned shall be deemed to have been received when the company has carried out the action it has been authorised to take for that purpose.

139. Notice When Post Not Available

If there is a suspension or curtailment of postal services within the United Kingdom, the United States or some part of either the United Kingdom or the United States, the company need only give notice of a general meeting to those members with whom the company can communicate by electronic means and who have provided the company with an address for this purpose. The company shall also advertise the notice in at least one newspaper with a national circulation and make it available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof. If at least six clear days prior to the meeting the sending or supply of notices by post in hard copy form has again become generally possible, the company shall send or supply confirmatory copies of the notice by post to those members who would otherwise receive the notice in hard copy form.

Destruction of Documents

140. Presumptions Where Documents Destroyed

If the company destroys or deletes:

(i) any share certificate which has been cancelled at any time after a period of one year has elapsed from the date of cancellation, or

(ii) any instruction concerning the payment of dividends or other moneys in respect of any share or any notification of change of name or address at any time after a period of two years has elapsed from the date the instruction or notification was recorded by the company, or

(iii) any instrument of transfer of shares or Operator-instruction for the transfer of shares which has been registered by the company at any time after a period of six years has elapsed from the date of registration, or

(iv) any instrument of proxy which has been used for the purpose of a poll at any time after a period of one year has elapsed from the date of use, or

(v) any instrument of proxy which has not been used for the purpose of a poll at any time after a period of one month has elapsed from the end of the meeting to which the instrument of proxy relates, or

(vi) any other document on the basis of which any entry is made in the register at any time after a period of six years has elapsed from the date the entry was first made in the register in respect of it,

and the company destroys or deletes the document or instruction in good faith and without express notice that its preservation was relevant to a claim, it shall be presumed irrebuttably in favour of the company that every share certificate so destroyed was a valid certificate and was properly cancelled, that every instrument of transfer or Operator-instruction so destroyed or deleted was a valid and effective instrument of transfer or instruction and was properly registered and that every other document so destroyed was a valid and effective document and that any particulars of it which are recorded in the books or records of the company were correctly recorded. If the documents relate to uncertificated shares, the company must comply with any requirements of the uncertificated securities rules which limit its ability to destroy these documents. Nothing contained in this article shall be construed as imposing upon the company any liability which, but for this article, would not exist or by reason only of the destruction of any document of the kind mentioned above before the relevant period mentioned in this article has elapsed or of the fact that any other condition precedent to its destruction mentioned above has not been fulfilled. References in this article to the destruction of any document include references to its disposal in any manner.

Indemnity and Insurance

141. Indemnity of Directors

(A) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company shall be indemnified by the company out of its own funds against all costs, charges, losses, expenses and liabilities incurred by him in performing his duties and/or in exercising his powers and/or in supposedly doing these things and/or otherwise in relation to or in connection with his duties, powers or office.

(B) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company is exempted from any liability to the company where that liability would be covered by the indemnity in Article 141(A).

(C) Without prejudice to Article 141(A), the company may purchase and maintain insurance against any liability for any persons who are or were at any time directors, officers or employees of the company or of any associated company or trustees of any pension fund or employee share scheme in which employees of any such company are interested.

(D) No director or former director of the company or of any associated company shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify the person from being or becoming a director of the company.

(E) For the purposes of this article, no person appointed or employed by the company or an associated company as an auditor is an officer.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

RESOLUTIONS

GlaxoSmithKline plc (the "Company")

Passed: 8 May 2019

At the NINETEENTH ANNUAL GENERAL MEETING of the Company held on Wednesday 8 May 2019, the following resolutions were duly passed under special business by the requisite majority of the members of the Company in accordance with sections 282 and 283 of the Companies Act 2006 respectively:-

17. Authority to allot shares (ordinary resolution)

THAT the Directors be and are hereby generally and unconditionally authorised, in accordance with section 551 of the Act, in substitution for all subsisting authorities, to exercise all powers of the company to allot shares in the company and to grant rights to subscribe for or convert any security into shares in the company up to an aggregate nominal amount of £413,826,159 which authority shall expire at the end of the next AGM of the company to be held in 2020 or, if earlier, at the close of business on 30 June 2020 (unless previously revoked or varied by the company in general meeting) save that under such authority the company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into

shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert any security into shares in pursuance of such an offer or agreement as if the relevant authority conferred hereby had not expired.

18. General power to disapply pre-emption rights (special resolution)

THAT, subject to resolution 17 being passed, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the company as Treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of Treasury shares in connection with an offer of, or invitation to apply for, equity securities:

(i) to Ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary,

but so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter whatsoever; and

(b) to the allotment of equity securities or sale of Treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £62,080,131,

such power to expire at the end of the next AGM of the company to be held in 2020 (or, if earlier, at the close of business on 30 June 2020) but, in each case, prior to its expiry the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and Treasury shares to be sold) after the power expires and the Directors may allot equity securities (and sell Treasury shares) under any such offer or agreement as if the power had not expired.

19. Specific power to disapply pre-emption rights in connection with an acquisition or specified capital investment (special resolution)

THAT, subject to resolution 17 being passed, the Directors be and are hereby empowered in addition to any authority granted under resolution 18 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/ or to sell Ordinary Shares held by the company as Treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

(a) limited to the allotment of equity securities or sale of Treasury shares up to a nominal amount of £62,080,131; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre- Emption Group prior to the date of this Notice,

such power to expire at the end of the next AGM of the company to be held in 2020 (or, if earlier, at the close of business on 30 June 2020) but, in each case, prior to its expiry the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and Treasury shares to be sold) after the power expires and the Directors may allot equity securities (and sell Treasury shares) under any such offer or agreement as if the power had not expired.

20. Purchase of own shares by the company (special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary Shares of 25 pence each provided that the:

(a) maximum number of Ordinary Shares hereby authorised to be purchased is 496,641,052;

(b) minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 25 pence;

(c) maximum price, exclusive of expenses, which may be paid for each Ordinary Share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary Shares for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid at the time on the trading venue on which the purchase is carried out; and

(d) authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next AGM of the company to be held in 2020 (or, if earlier, at the close of business on 30 June 2020), save that the company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

22. Reduced notice of a general meeting other than an AGM (special resolution)

THAT a general meeting of the company other than an AGM may be called on not less than 14 clear days' notice.

Exhibit 2.2

DESCRIPTION OF SECURITIES

REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2019, GlaxoSmithKline plc ("GSK," the "Company," "we," "us," and "our") had ordinary shares, American Depositary Receipts and debt securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act").

A. Description of Ordinary Shares

This summary of the general terms and provisions of our ordinary shares does not purport to be complete and is subject to and qualified in its entirety by reference to our Articles of Association (the "Articles"), which are incorporated herein by reference to the Form 20-F filed on March 6, 2020 (File No. 001 15170).

GSK has ordinary shares in issue which are in registered form and are governed by the laws of England and Wales.

The holders of ordinary shares have statutory pre-emption rights under the UK Companies Act 2006 (the "Companies Act") on the issuance of new ordinary shares or rights to subscribe for, or to convert into, ordinary shares. Under the Companies Act, such pre-emption rights may be dis-applied by special resolution of the shareholders of GSK. The shareholders of GSK passed a special resolution on May 8, 2019 to allow Directors to be empowered to (i) disapply pre-emption rights in relation to an allotment of equity securities that is otherwise made on a pre-emptive basis in order to deal appropriately with fractional entitlements, jurisdictional issues and other legal, regulatory or practical problems and (ii) allot equity securities for cash and/or to sell ordinary shares held by GSK as treasury shares for cash up to an amount of £62,080,131 in nominal share capital as if pre-emption rights did not apply. This authorization is set to expire at the end of GSK's Annual General Meeting held in 2020 (or, if earlier, close of business on June 30, 2020). As at December 31, 2019 there were 5,383,102,231 ordinary shares of 25 pence each in issue.

Our Articles contain provisions to the following effect:

Dividends

All ordinary shares rank pari passu in respect of dividends and other distributions of profits. Subject to the provisions of the Articles and applicable legislation, GSK at any general meeting may declare dividends on the ordinary shares by ordinary resolution, but such dividends may not exceed the amount recommended by the board of directors of GSK (the "Board"). The Board may also pay interim or fixed rate dividends if it appears they are justified by our financial position.

All unclaimed dividends payable in respect of any share may be invested or otherwise made use of by the Board for the benefit of GSK until claimed. If a dividend is not claimed after 12 years of it being declared or becoming payable, it is forfeited and reverts to us.

GSK may, if authorized by an ordinary resolution, offer any holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Voting

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of the Articles, members shall be entitled to vote at a general meeting as provided in the Companies Act.

At any general meeting, a resolution that is put to the vote of the meeting shall be decided on a poll, which shall be taken in such manner as the chairman of the meeting shall direct, including by means of electronic vote casters. The result of the vote shall be deemed to be the resolution of the meeting at which the vote was demanded. A vote to elect the chairman of the meeting or to adjourn the meeting must be taken immediately at the meeting. Any other vote may

be taken at any other time (within 30 days of the meeting) and place determined by the chairman. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his or her proxy may be counted. If any sum payable remains unpaid in relation to a member's shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of GSK unless the Board determines otherwise. For a proxy vote to be valid, the Board must have received satisfactory evidence such that the authority of the person claiming to exercise the right to vote or such other right has been received by the Company not later than the last time at which appointments of proxy should have been received in order to be valid for use at that meeting or on the holding of that poll.

Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the objection or error may have affected the decision of the meeting.

Transfers

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall be made in accordance with the Companies Act and Uncertificated Securities Regulations 2001, as amended.

The Board is not bound to register (i) a transfer of partly paid ordinary shares, (ii) uncertificated shares in the circumstances set out in the Companies Act and Uncertificated Securities Regulations 2001 and (iii) transfers of uncertificated securities to joint holders where the number of such joint holders exceeds four. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless (i) it is duly stamped, duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, (ii) it is in respect of one class of shares only, and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Redemption

Subject to any rights attached to existing shares, any share may be issued on terms that it is, at our option or the option of the holder of such share, redeemable. The directors are authorized to determine the terms, conditions and manner of redemption of any such shares under the Articles.

Calls on capital

The directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (not exceeding the Bank of England base rate by more than 5%).

If a member fails to pay any call or installment of a call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of GSK. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

GSK also has a lien over all of our partly paid shares for all monies payable or called on such shares and over the debts and liabilities of a member to GSK. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, we may sell such shares.

Other Shareholder Rights

On a distribution of capital on a winding-up, the ordinary shares rank pari passu with each other but behind the rights of all of GSK's creditors.

Variation of Rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

Limitations on Share Ownership

There are no limitations on the rights of shareholders to own ordinary shares. In addition, there are no restrictions imposed by the Articles or (subject to the effect of any economic sanctions or UK or EU merger control laws that may be in force from time to time) by current UK laws which relate to non-residents or foreign shareholders and which limit the rights of such non-residents or foreign shareholders to hold or (when entitled to do so) exercise voting rights on the ordinary shares.

B. Description of American Depositary Shares

This summary of the general terms and provisions of our American Depositary Shares ("ADSs") does not purport to be complete and is subject to and qualified in its entirety by our Form F-6 filed on July 19, 2019 (Commission file No. 333-232726) including the exhibits thereto. In the following description, a "Holder" is the person registered with the Depositary (as defined below).

General

American Depositary Receipts ("ADRs") evidencing ADSs are issuable pursuant to an amended and restated deposit agreement dated July 19, 2019, between GSK, and JPMorgan Chase Bank, N.A., as depositary (the "Depositary"), and the Holders of the ADRs (the "Deposit Agreement"). The principal executive office of the Depositary is 383 Madison Avenue, Floor 11, New York, New York 10179. Each ADS represents the right to receive two ordinary shares of GSK. An ADR may evidence any number of ADSs.

Our American Depositary Receipts are admitted to trading on the New York Stock Exchange under the symbol "GSK".

Voting

As soon as practicable after receipt of notice of any meeting at which the holders of ordinary shares are entitled to vote, or of solicitation of consents or proxies from holders of ordinary shares or other deposited securities, the Depositary shall fix the ADS record date and shall, at GSK's expense, distribute to Holders a notice (the "Voting Notice") stating (i) final information particular to such vote and meeting and any solicitation materials, (ii) that each Holder on the record date set by the Depositary will, subject to any applicable provisions of English law, be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such Holder's ADRs and (iii) the manner in which such instructions may be given, including instructions to give a discretionary proxy to a person designated by GSK. Each Holder shall be solely responsible for the forwarding of Voting Notices to any person or entity having a beneficial ownership interest in ADSs (the "Beneficial Owner") registered in such Holder's name. There is no guarantee that Holders and Beneficial Owners generally or any Holder or Beneficial Owner in particular will receive the notice described above with sufficient time to enable such Holder or Beneficial Owner to return any voting instructions to the Depositary in a timely manner. GSK shall provide notice to the Depositary of such vote or meeting in a timely manner and at least 30 days prior to the date of such vote or meeting (unless less than 30 days' notice of the meeting has been given in accordance with GSK's Articles of Association and English law, in which case GSK will provide to the Depositary such advance notice of the meeting as may be possible under the circumstances); provided that if the Depositary receive less than 30 days' notice of such vote or meeting, the Depositary shall distribute such Voting Notice to the extent practicable.

Following actual receipt by the ADR department responsible for proxies and voting of Holders' instructions (including, without limitation, instructions of any entity or entities acting on behalf of the nominee for The Depository Trust Company ("DTC")), the Depositary shall, in the manner and on or before the time established by the Depositary for such purpose, endeavor to vote or cause to be voted the deposited securities represented by the ADSs evidenced by such Holders' ADRs in accordance with such instructions insofar as practicable and permitted under the provisions of or governing deposited securities. The Depositary will not itself exercise any voting discretion in respect of any deposited securities.

Notwithstanding anything contained in the Deposit Agreement or any ADR, the Depositary may, to the extent not prohibited by any law, rule or regulation or the rules and/or requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of or solicitation of consents or proxies from holders of deposited securities, distribute to the Holders a notice, after consulting GSK as to the form of such notice to the extent practicable, that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials). Holders are strongly encouraged to forward their voting instructions as soon as possible. Voting instructions will not be deemed received until such time as the ADR department responsible for proxies and voting has received such instructions notwithstanding that such instructions may have been physically received by the Depositary prior to such time.

Procedures for Transmitting Notices, Reports and Proxy Soliciting Material

In addition to the procedures for transmitting notices discussed above under "Voting", the Depositary or its agent will keep, at a designated transfer office (the "Transfer Office"), (i) a register (the "ADR Register") for the registration, registration of transfer, combination and split-up of ADRs and (ii) facilities for the delivery and receipt of ADRs. Title to an ADR (and to deposited securities represented by the ADSs), when properly endorsed (in the case of ADRs in certificated form) or upon delivery to the Depositary of proper instruments of transfer, is transferable by delivery with the same effect as in the case of negotiable instruments under the laws of the State of New York; provided that the Depositary, notwithstanding any notice to the contrary, may treat the person in whose name such ADR is registered on the ADR Register as the absolute owner hereof for all purposes and neither the Depositary nor GSK will have any obligation or be subject to any liability under the Deposit Agreement or any ADR to any Beneficial Owner, unless such Beneficial Owner is the Holder hereof. Such ADR is transferable on the ADR Register and may be split into other ADRs or combined with other ADRs into one ADR, evidencing the aggregate number of ADSs surrendered for split-up or combination, by the Holder hereof or by duly authorized attorney upon surrender of this ADR at the Transfer Office properly endorsed (in the case of ADRs in certificated form) or upon delivery to the Depositary of proper instruments of transfer and duly stamped as may be required by applicable law; provided that the Depositary may close the ADR Register at any time or from time to time when deemed expedient by it and it shall also close the issuance book portion of the ADR Register when reasonably requested by GSK in order to enable GSK to comply with applicable law. At the request of a Holder, the Depositary shall, for the purpose of substituting a certificated ADR with a Direct Registration ADR (defined below), or vice versa, execute and deliver a certificated ADR or a Direct Registration ADR, as the case may be, for any authorized number of ADSs requested, evidencing the same aggregate number of ADSs as those evidenced by the certificated ADR or Direct Registration ADR, as the case may be, substituted.

The Deposit Agreement, the provisions of or governing deposited securities and any written communications from GSK, which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities, are available for inspection by Holders at the offices of the Depositary and its agent or agents (the "Custodian"), at the Transfer Office, on the U.S. Securities and Exchange Commission's (the "Commission") website, or upon request from the Depositary (which request may be refused by the Depositary at its discretion). The Depositary will distribute copies of such communications (or English translations or summaries thereof) to Holders when furnished by GSK. GSK is subject to the periodic reporting requirements of the Act and accordingly files certain reports with the Commission. Such reports and other information may be inspected and copied through the Commission's EDGAR system or at public reference facilities maintained by the Commission located at the date hereof at 100 F Street, NE, Washington, DC 20549.

"Direct Registration ADR" means an ADR, the ownership of which is recorded on the Direct Registration System.

"Direct Registration System" means the system for the uncertificated registration of ownership of securities established by DTC and utilized by the Depositary pursuant to which the Depositary may record the ownership of ADRs without the issuance of a certificate, which ownership shall be evidenced by periodic statements issued by the Depositary to the Holders entitled thereto.

Sale or Exercising of Rights

The Depositary will distribute to each Holder entitled thereto on the record date set by the Depositary therefor at such Holder's address shown on the ADR Register, in proportion to the number of deposited securities (on which the following distributions on deposited securities are received by the Custodian) represented by ADSs evidenced by such Holder's ADRs: (i) warrants or other instruments in the discretion of the Depositary representing rights to acquire additional ADRs in respect of any rights to subscribe for additional Shares or rights of any nature available to the Depositary as a result of a distribution on deposited securities ("Rights"), to the extent that GSK timely furnishes to the Depositary evidence satisfactory to the Depositary that the Depositary may lawfully distribute the same (GSK has no obligation to so furnish such evidence), or (ii) to the extent GSK does not so furnish such evidence and sales of Rights are practicable, any U.S. dollars available to the Depositary from the net proceeds of sales of Rights as in the case of cash, or (iii) to the extent GSK does not so furnish such evidence and such sales cannot practicably be accomplished by reason of the nontransferability of the Rights, limited markets therefor, their short duration or otherwise, nothing (and any Rights may lapse).

Deposit or Sale of Securities Resulting from Dividends, Splits or Plans of Reorganization

If GSK makes a dividend payable at the election of the holders of ordinary shares in either cash or additional ordinary shares that it wishes to be made available to the Holders, GSK shall give notice thereof to the Depositary at least 30 days prior to the proposed distribution stating whether or not it wishes such elective distribution to be made available to the Holders. The Depositary shall make such elective distribution available to the Holders only if, among other things, GSK has timely requested that the elective distribution is available to the Holders and the Depositary shall have determined that such distribution is reasonably practicable. If the conditions for making the elective distribution available to the Holders are satisfied, the Depositary will establish procedures to enable the Holders to elect the receipt of either cash or additional ADSs. If the conditions for making the elective distribution available to the Holders are not satisfied, the Depositary will, to the extent permitted by law, distribute either cash or additional ADSs to the Holders on the basis of the same determination as is made in the local market in respect of the ordinary shares for which no election is made. There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.

If the Depositary determines that any distribution of property, other than cash, ordinary shares or rights to ordinary shares, cannot be made proportionately among Holders or if for any other reason, including any requirement that GSK or the Depositary withhold an amount on account of taxes or other governmental charges, the Depositary deems that such a distribution is not feasible, the Depositary may dispose of all or part of the property in any manner, including by public or private sale, that it deems equitable and practicable. The Depositary will then distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes to the Holders entitled thereto.

The Depositary may, in its discretion, and shall if reasonably requested by GSK, distribute additional or amended ADRs or cash, securities or property to reflect any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities, any ordinary share distributions or other distributions not distributed to Holders or any cash, securities or property available to the Depositary in respect of deposited securities from (and the Depositary is hereby authorized to surrender any deposited securities to any person and, irrespective of whether such deposited securities are surrendered or otherwise cancelled by operation of law, rule, regulation or otherwise, to sell by public or private sale any property received in connection with) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all the assets of the Company. To the extent the Depositary does not amend ADRs or make a distribution to Holders to reflect any of the foregoing, or the net proceeds thereof, whatever cash, securities or property results from any of the foregoing shall constitute deposited securities and each ADS evidenced by this ADR shall automatically represent its pro rata interest in the deposited securities as then constituted. Promptly upon the occurrence of any of the aforementioned changes affecting deposited securities, GSK shall notify the Depositary in writing of such occurrence and as soon as practicable after receipt of such notice from GSK, may instruct the Depositary to give notice thereof, at GSK's expense, to Holders in accordance with the provisions hereof. Upon receipt of such instruction, the Depositary shall give notice to the Holders in accordance with the terms thereof, as soon as reasonably practicable.

Amendment and Termination of the Deposit Agreement

The form of ADRs evidencing ADSs and any provisions of the Deposit Agreement relating to those ADRs may be amended by GSK and the Depositary. Any amendment that imposes or increases any fees or charges, other than taxes and other governmental charges, transfer or registration fees, transmission costs, delivery costs or other such expenses, or that otherwise prejudices any substantial existing right of the Holders or beneficial owners, will not take effect as to any ADRs until 30 days after notice of the amendment has been given to the Holders. Every Holder and beneficial owner of any ADR, at the time an amendment becomes effective, will be deemed to continue to hold such ADR and to consent and agree to the amendment and to be bound by the Deposit Agreement or the ADR as amended. No amendment may impair the right of any Holder to surrender ADRs and receive in return the deposited securities represented by the ADSs. If any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement or the form of ADR to ensure compliance therewith, GSK and the Depositary may amend or supplement the Deposit Agreement and the ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance.

Whenever GSK directs, the Depositary has agreed to terminate the Deposit Agreement as to ADRs evidencing ADSs by mailing a termination notice to the Holders then outstanding at least 30 days before the date fixed in the notice of termination. The Depositary may likewise terminate the Deposit Agreement as to ADRs evidencing ADSs by mailing a termination notice to GSK and the Holders then outstanding at least 30 days before the date of termination, under the following circumstances: (i) in the event of GSK's bankruptcy or insolvency, (ii) if the ordinary shares cease to be listed on an internationally recognized stock exchange, (iii) if GSK effects (or will effect) a redemption of all or substantially all of the deposited securities, or a cash or share distribution representing a return of all or substantially all of the value of the deposited securities, or (iv) there occurs a merger, consolidation, sale of assets or other transaction as a result of which securities or other property are delivered in exchange for or in lieu of deposited securities, except where such transaction was commenced, announced by GSK or notified to the Depositary prior to the effective date of the Deposit Agreement.

After the date so fixed for termination, the Depositary and its agents will perform no further acts under the Deposit Agreement and this ADR, except to receive and hold (or sell) distributions on deposited securities and deliver deposited securities being withdrawn. As soon as practicable after the date so fixed for termination, the Depositary shall use its reasonable efforts to sell the deposited securities and shall thereafter (as long as it may lawfully do so) hold in an account (which may be a segregated or unsegregated account) the net proceeds of such sales, together with any other cash then held by it under the Deposit Agreement, without liability for interest, in trust for the pro rata benefit of the Holders of ADRs not theretofore surrendered. After making such sale, the Depositary shall be discharged from all obligations in respect of the Deposit Agreement and this ADR, except to account for such net proceeds and other cash. After the date so fixed for termination, GSK shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary and its agents.

Rights of Holders to Inspect the Transfer Books of the Depositary and the List of Holders

The Depositary will keep books for the registration and transfer of ADRs as well as facilities for the delivery and receipt of ADRs at a designated transfer office. These books will be open for inspection by Holders at all reasonable times. However, this inspection may not be for the purpose of communicating with Holders in the interest of a business or object other than GSK business or a matter related to the Deposit Agreement or the ADRs.

Restrictions on the Right to Transfer or Withdraw the Underlying Securities

As a condition precedent to the issue, registration, registration of transfer, split-up or combination of any ADR, the delivery of any distribution in respect thereof, or the withdrawal of any deposited securities, GSK, the Depositary, or custodian may require payment of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to ordinary shares or other deposited securities being registered) and payment of any applicable fees as therein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature, as well as such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial or other ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the Deposit Agreement and ADR, as it may deem necessary or proper, and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The issuance of ADRs, the acceptance of deposits of ordinary shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of deposited securities may be suspended, generally or in particular instances, when the ADR Register or any register for deposited securities is closed or when any such action is deemed advisable by the Depositary or GSK at any time or from time to time.

Limitations on the Depositary's Liability

The Depositary shall not incur any liability to any Holder or beneficial owners of ADRs, if by reason of any provision of any present or future law, rule, regulation, fiat, order or decree of the U.S., England, Wales or any other country or jurisdiction, or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, or the provisions of or governing any deposited securities, or by reason of any provision, present or future, of the Company's charter, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary shall be prevented or forbidden from or be subject to any civil or criminal penalty on account of doing or performing any act or thing which by the terms of the Deposit Agreement it is provided shall be done or performed; nor shall the Depositary incur any liability to any Holder or beneficial owner of any ADR by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement.

The Depositary assumes no obligation nor shall it be subject to any liability under the Deposit Agreement to any Holders or beneficial owners of any ADR (including, without limitation, liability with respect to the validity or worth of any deposited securities), except that it agrees to perform its obligations specifically set forth in the Deposit Agreement without gross negligence or willful misconduct. The Depositary shall not be a fiduciary or have any fiduciary duty to Holders or beneficial owners.

The Depositary and its agents shall not be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or in respect of the ADRs. The Depositary shall not be liable to Holders or beneficial owners for any action or non-action by it in reliance upon the advice of or information from the Company, legal counsel, accountants, any person presenting ordinary shares for deposit, any Holder or any other person believed by it to be competent to give such advice or information. The Depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system.

The Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. The Depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale. The Depositary shall not be liable for any acts or omissions to act on the part of the custodian, except to the extent that any Holder has incurred liability directly as a result of the custodian having (i) committed fraud or willful misconduct in the provision of custodial services to the Depositary or (ii) failed to use reasonable care in the provision of custodial services to the Depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located.

The Depositary and its respective agents may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

The Depositary shall be under no obligation to inform Holders or beneficial owners about the requirements of the laws, rules or regulations or any changes therein or thereto of any country or jurisdiction or of any governmental or regulatory authority or any securities exchange or market or automated quotation system.

The Depositary and its agents shall not be responsible for any failure to carry out any instructions to vote any of the deposited securities, including without limitation any vote cast by a person to whom the Depositary is required to grant a discretionary proxy pursuant to the Deposit Agreement, or for the effect of any such vote or the effect of any such vote.

The Depositary may rely upon instructions from the Company or its counsel in respect of any approval or license required for any currency conversion, transfer or distribution.

The Depositary and its agents may own and deal in any class of securities of the Company and its affiliates and in ADRs.

Notwithstanding anything to the contrary set forth in the Deposit Agreement or any ADR, the Depositary shall have no liability or responsibility under the Deposit Agreement, any ADR or any related agreement, for any period prior to the effective date of the Deposit Agreement or for any act or omission of the predecessor to the Depositary or any of its agents (including the Custodian as defined in the Prior Deposit Agreement), under or in connection with this Deposit Agreement, any ADRs or any related agreement.

Notwithstanding anything to the contrary set forth in the Deposit Agreement or any ADR, the Depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the Deposit Agreement, any Holder or Holders, any ADR or ADRs or otherwise related hereto or thereto to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators.

The Depositary shall not be liable for the failure by any Holder or beneficial owner to obtain the benefits of credits or refunds of non-U.S. tax paid against such Holder’s or beneficial owner’s income tax liability.

The Depositary is under no obligation to provide the Holders and beneficial owners, or any of them, with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax or tax consequences that may be incurred by Holders and beneficial owners on account of their ownership or disposition of the ADRs or ADSs.

The Depositary shall not incur any liability for the content of any information submitted to it by or on behalf of the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from the Company.

Notwithstanding anything to the contrary set forth in the Deposit Agreement or any ADR, the may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection herewith and the Deposit Agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the Depositary will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary.

By holding an ADS or an interest therein, Holders and beneficial owners each irrevocably agree that any legal suit, action or proceeding against or involving the Depositary, arising out of or based upon the Deposit Agreement, the ADSs or the transactions contemplated herein, therein or hereby, may only be instituted in a state or federal court in New York, New York, and by holding an ADS or an interest therein each irrevocably waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The Company has agreed to indemnify the Depositary and its agents under certain circumstances and the Depositary has agreed to indemnify the Company under certain circumstances.

The Depositary shall not be liable to Holders or beneficial owners for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity (including, without limitation, Holders and beneficial owners), whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

C. Debt Securities

General

Each series of debt securities listed on the New York Stock Exchange and set forth on the cover page to GSK's annual report on Form 20-F for the year ended December 31, 2019 has been issued by either GlaxoSmithKline Capital Inc. ("GSK Capital Inc.") or GlaxosmithKline Capital plc ("GSK Capital plc") and guaranteed by GlaxosmithKline plc. Each of these series of notes and related guarantees were issued pursuant to an effective registration statement and a related prospectus and prospectus supplement setting forth the terms of the relevant series of notes and related guarantees.

The following table sets forth the name of the series, interest rate, dates of the registration statements, dates of the base prospectuses and dates of issuance for each relevant series of notes (the "Notes").

Series / Interest Rate	Registration Statement	Date of Base Prospectus	Date of Issuance
2.875% Notes due 2022	333-223982	March 28, 2018	March 25, 2019
3.000% Notes due 2024	333-223982	March 28, 2018	March 25, 2019
3.375% Notes due 2029	333-223982	March 28, 2018	March 25, 2019
3.125% Notes due 2021	333-223982	March 28, 2018	May 15, 2018
Floating Rate Notes due 2021 (LIBOR plus 0.350% p.a.)	333-223982	March 28, 2018	May 15, 2018
3.375% Notes due 2023	333-223982	March 28, 2018	May 15, 2018
3.625% Notes due 2025	333-223982	March 28, 2018	May 15, 2018
3.875% Notes due 2028	333-223982	March 28, 2018	May 15, 2018
2.800% Notes due 2023	333-172621	March 4, 2011	March 18, 2013
4.200% Notes due 2043	333-172621	March 4, 2011	March 18, 2013
2.850% Notes due 2022	333-172621	March 4, 2011	May 9, 2012
6.375% Notes due 2038	333-149531	March 4, 2008	May 13, 2008

Pursuant to an Agreement of Resignation, Appointment and Acceptance dated April 12, 2017 by and among GSK Capital plc, Law Debenture Trust Company of New York and Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Americas has become the successor trustee to Law Debenture Trust Company of New York under the indenture dated as of April 6, 2004 among GSK, GSK Capital plc and Law Debenture Trust Company of New York, as amended and supplemented.

Pursuant to an Agreement of Resignation, Appointment and Acceptance dated April 12, 2017 by and among GSK Capital Inc., Law Debenture Trust Company of New York and Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Americas has become the successor trustee to Law Debenture Trust Company of New York under the indenture dated as of April 6, 2004 among GSK, GSK Capital Inc. and Law Debenture Trust Company of New York, as amended and supplemented.

The paying agent under the indentures governing the Notes is the trustee under the relevant indenture. The address of the trustee and paying agent in relation to the Notes is 60 Wall Street, 16th Floor, New York, NY 10005.

The summary set out below of the general terms and provisions of the Notes does not purport to be complete and is subject to and qualified by reference to, all of the definitions and provisions of the relevant indenture governing the applicable series of Notes, any supplement to the relevant indenture and the form of the instrument representing each series of Notes. Certain terms, unless otherwise defined herein, have the meaning given to them in the relevant indenture governing the applicable series of Notes.

1. Notes offered pursuant to the Base Prospectus dated March 28, 2018

a. Prospectus Supplement (March 19, 2019) – 2.875% Notes due 2022, 3.000% Notes due 2024 and 3.375% Notes due 2029

Description of the Notes

General

GSK Capital plc issued the 2.875% Notes due 2022 (the "2022 Notes"), the 3.000% Notes due 2024 (the "2024 notes") and the 3.375% Notes due 2029 (the "2029 Notes") pursuant to an indenture, dated as of April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital plc, as issuer, and Deutsche Bank Trust Company Americas, as trustee (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated April 12, 2017, among GSK Capital plc, Law Debenture Trust Company of New York and Deutsche Bank Trust Company Americas), as amended and supplemented by a first supplemental indenture, dated as of March 21, 2014 and as further amended and supplemented by a second supplemental indenture dated as of May 15, 2018 (for purposes of this description of the 2022 Notes, the 2024 Notes and the 2029 Notes only, the "Indenture"). References in this "Description of the Notes" to the "Notes" refer to the 2022 Notes, the 2024 Notes and the 2029 Notes.

GSK Capital plc issued the 2022 Notes in the initial aggregate principal amount of $1,500,000,000. The 2022 Notes will mature on June 1, 2022 unless redeemed or purchased prior to such date as described below. GSK Capital plc issued the 2024 Notes in the initial aggregate principal amount of $1,000,000,000. The 2024 Notes will mature on June 1, 2024 unless redeemed or purchased prior to such date as described below. GSK Capital plc issued the 2029 Notes in the initial aggregate principal amount of $1,000,000,000. The 2029 Notes will mature on June 1, 2029 unless redeemed or purchased prior to such date as described below.

The Notes are fully and unconditionally guaranteed by GlaxoSmithKline plc. If, for any reason, GSK Capital plc does not make any required payment in respect of the Notes when due, whether on the normal due date, on acceleration, redemption or otherwise, GlaxoSmithKline plc will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantee of GlaxoSmithKline plc without taking any action whatsoever against us.

GSK Capital plc issued the Notes in book-entry form only, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

As used herein, "business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or London, England are authorized or obligated by law, regulation or executive order to be closed.

We or any of our subsidiaries may at any time and from time to time purchase the Notes of any series in the open market or by tender or by private agreement, if applicable law allows. The Notes of any such series purchased by us or any of our subsidiaries may be held, resold or surrendered by the purchaser thereof through us to the trustee or any paying agent for cancellation.

Interest

The Notes each bear interest at the applicable interest rate shown in the table above and accrue interest from March 25, 2019, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest is payable on each of the 2022 Notes, the 2024 Notes and the 2029 Notes twice a year, on June 1 and December 1, commencing December 1, 2019, to the person in whose name a 2022 Note, a 2024 Note or a 2029 Note, respectively, is registered at the close of business on the May 17 or November 16th on the basis of a 360-day year consisting of twelve 30-day months.

If an interest payment date or redemption date, or the maturity date, for the Notes, as the case may be, would fall on a day that is not a business day, then the required payment will be made on the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

Covenants

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any U.K. or U.S. withholding tax from any payment made on the Notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no such taxes had been applicable. See "—Payment of Additional Amounts."

As contemplated by the last paragraph under "Description of Debt Securities—Defeasance" below, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the Indenture with respect to the Notes of any or all series, as applicable. In addition, we may omit to comply with certain covenants through covenant defeasance. We refer you to the information under "Description of Debt Securities—Defeasance" below for more information on how we may do this.

Except as described herein, the Indenture does not contain any covenants or other provisions designed to protect holders of the Notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the Notes, including, among other things, through the incurrence of additional indebtedness.

Payment of Additional Amounts

The provisions of the Indenture described under "Description of Debt Securities—Covenants—Payment of Additional Amounts" do not apply to the Notes. The following payment of additional amounts provisions apply to the Notes.

Payments made by us under or with respect to the Notes will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the Notes, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; provided that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the applicable Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or the United States or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;
- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges,
- payable other than by withholding from payments of principal of or premium, if any, or interest on the applicable Notes;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;

- that would not have been imposed but for the presentation of the applicable Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that would not have been imposed if presentation for payment of the applicable Notes had been made to a paying agent other than the paying agent to which the presentation was made;
- that are imposed solely by reason of the holder or beneficial owner owning or having owned, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any security through which payment on the security is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code as in effect on the date of issuance of the applicable Notes or any successor or amended version of such provisions; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or premium, if any, or interest on any Notes to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of such Notes.

We have agreed in the Indenture that at least one paying agent for the Notes will be located outside the United Kingdom.

Our obligation to pay additional amounts if and when due will survive the termination of the Indenture and the payment of all amounts in respect of the Notes.

Tax Redemption

In the event of changes in U.K. or U.S. withholding taxes applicable to payments of interest, we may redeem the Notes of a series in whole (but not in part) at any time prior to maturity, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. See "Description of Debt Securities—Optional Redemption for Tax Reasons" below.

Optional Make-Whole Redemption

Prior to May 1, 2022 (the date that is one month prior to the scheduled maturity date for the 2022 Notes) (the "2022 Notes Par Call Date"), we may redeem the 2022 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the 2022 Notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal of and interest on the 2022 Notes to be redeemed on that redemption date (not including any portion of such payments of interest accrued as of the redemption date) that would be due if the 2022 Notes matured on the 2022 Notes Par Call Date, discounted to the redemption date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 0.100%, plus accrued and unpaid interest thereon to, but excluding, the redemption date. On or after the 2022 Notes Par Call Date, we may redeem the 2022 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to 100% of the principal amount of the 2022 Notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

Prior to May 1, 2024 (the date that is one month prior to the scheduled maturity date for the 2024 Notes) (the "2024 Notes Par Call Date"), we may redeem the 2024 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the 2024 Notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal of and interest on the 2024 Notes to be redeemed on that redemption date (not including any portion of such payments of interest accrued as of the redemption date) that would be due if the 2024 Notes matured on the 2024 Notes Par

Call Date, discounted to the redemption date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 0.125%, plus accrued and unpaid interest thereon to, but excluding, the redemption date. On or after the 2024 Notes Par Call Date, we may redeem the 2024 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

Prior to March 1, 2029 (the date that is three months prior to the scheduled maturity date for the 2029 Notes) (the "2029 Notes Par Call Date"), we may redeem the 2029 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the 2029 Notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal of and interest on the 2029 Notes to be redeemed on that redemption date (not including any portion of such payments of interest accrued as of the redemption date) that would be due if the 2029 Notes matured on the 2029 Notes Par Call Date, discounted to the redemption date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 0.150%, plus accrued and unpaid interest thereon to, but excluding, the redemption date. On or after the 2029 Notes Par Call Date, we may redeem the 2029 Notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest, if any, thereon to, but excluding, the redemption date.

The 2022 Notes Par Call Date, the 2024 Notes Par Call Date and the 2029 Notes Par Call Date are each referred to herein as a "Par Call Date."

Notwithstanding the foregoing, installments of interest on the Notes to be redeemed that are due and payable on an interest payment date falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Notes and the Indenture, as applicable.

"Comparable Treasury Issue" means the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining term of the Notes of the applicable series to be redeemed, assuming such Notes matured on the applicable Par Call Date, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes, assuming such Notes matured on the applicable Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the quotation agent for the Notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation.

"Quotation agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each registered holder of the Notes of the applicable series to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which such Notes are listed. On and after any redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If less than all of the Notes of the applicable series are to be redeemed, the Notes to be redeemed shall be selected by lot by The Depository Trust Company ("DTC"), in the case of Notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of Notes that are not represented by a global security.

Events of Default

The events of default under the Indenture, as applicable, with respect to the Notes are defined under "Description of Debt Securities—Events of Default" below.

Further Issuances

We initially offered the 2022 Notes in the aggregate principal amount of $1,500,000,0000, the 2024 Notes in the aggregate principal amount of $1,000,000,0000 and the 2029 Notes in the aggregate principal amount of $1,000,000,0000. We may from time to time, without the consent of the holders of a series of Notes, create and issue further debt securities of the same series having the same terms and conditions in all respects as the applicable Notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. Any such additional debt securities shall be issued under a separate CUSIP or ISIN number unless the additional debt securities are issued pursuant to a "qualified reopening" of the original series, are otherwise treated as part of the same "issue" of debt instruments as the original series or are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes.

Book-Entry System

We issued the Notes of each series in the form of one or more fully registered global securities. We deposited these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the Notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream Banking S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is partially owned by some of these participants or their representatives. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission's (the "Commission").

Clearstream and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the date of the prospectus supplement, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the Commission de Surveillance du Secteur Financier and the Banque Centrale du Luxembourg, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the Notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to Notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported, to the relevant Euroclear Participant or Clearstream Participant during the securities

settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy or completeness of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligations to perform or continue to perform such procedures and they may discontinue the procedures at any time.

Same-Day Settlement and Payment

Initial settlement for the Notes was made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

b. Prospectus Supplement (May 10, 2018) – 3.125% Notes due 2021, Floating Rate Notes due 2021, 3.375% Notes due 2023, 3.625% Notes due 2025 and 3.875% Notes due 2028

Description of the Notes

General

GSK Capital Inc. issued the 3.375% Notes due 2023 (for purposes of this "Description of the Notes" only, the "2023 Notes"), the 3.625% Notes due 2025 ("2025 Notes") and the 3.875% Notes due 2028 ("2028 Notes") pursuant to an indenture, dated as of April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital Inc., as issuer, and Deutsche Bank Trust Company Americas, as trustee (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated April 12, 2017, among GSK Capital Inc., Law Debenture Trust Company of New York and Deutsche Bank Trust Company Americas), as amended and supplemented by a first supplemental indenture, dated as of March 18, 2013, as further amended and supplemented by a second supplemental indenture dated as of March 21, 2014 and as further amended and supplemented by a third supplemental indenture which was entered into on May 15, 2018 (for purposes of this description of the 2023 Notes, the 2025 Notes and the 2028 Notes only, the "GSK Capital Inc. Indenture").

GSK Capital Inc. issued the 2023 Notes in the initial aggregate principal amount of $1,250,000,000. The 2023 Notes will mature on May 15, 2023 unless redeemed or purchased prior to such date as described below. GSK Capital Inc. issued the 2025 Notes in the initial aggregate principal amount of $1,000,000,000. The 2025 Notes will mature on May 15, 2025 unless redeemed or purchased prior to such date as described below. GSK Capital Inc. issued the 2028 Notes in the initial aggregate principal amount of $1,750,000,000. The 2028 Notes will mature on May 15, 2028 unless redeemed or purchased prior to such date as described below.

GSK Capital plc issued the 3.125% Notes due 2021 (the "2021 Notes") and the Floating Rate Notes due 2021 (the "Floating Rate Notes") pursuant to an indenture, dated as of April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital plc, as issuer, and Deutsche Bank Trust Company Americas, as trustee (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated April 12, 2017, among GSK Capital plc, Law Debenture Trust Company of New York and Deutsche Bank Trust Company Americas), as amended and supplemented by a first supplemental indenture, dated as of March 21, 2014 and as further amended and supplemented by a second supplemental indenture which was entered into on May 15, 2018 (for purposes of this description of the 2021 Notes and the Floating Rate Notes only, the "GSK Capital plc Indenture").

GSK Capital plc issued the 2021 Notes in the initial aggregate principal amount of $1,250,000,000. The 2021 Notes will mature on May 14, 2021 unless redeemed or purchased prior to such date as described below. GSK Capital plc issued the Floating Rate Notes in the initial aggregate principal amount of $750,000,000. The Floating Rate Notes will mature on May 14, 2021 unless redeemed or purchased prior to such date as described below.

References in this "Description of the Notes" to the "Fixed Rate Notes" refer to the 2021 Notes, the 2023 Notes, the 2025 Notes and the 2028 Notes. References to the "Notes" refer to the Fixed Rate Notes and the Floating Rate Notes.

The Notes are fully and unconditionally guaranteed by GlaxoSmithKline plc. If, for any reason, GSK Capital Inc, or GSK Capital plc do not make any required payment in respect of the Notes when due, whether on the normal due date, on acceleration, redemption or otherwise, GlaxoSmithKline plc will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantee of GlaxoSmithKline plc without taking any action whatsoever against us.

GSK Capital plc and GSK Capital Inc. issued the Notes in book-entry form only, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

"Business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or London, England are authorized or obligated by law, regulation or executive order to be closed.

We or any of our subsidiaries may at any time and from time to time purchase the Notes of any series in the open market or by tender or by private agreement, if applicable law allows. The Notes of any such series purchased by us or any of our subsidiaries may be held, resold or surrendered by the purchaser thereof through us to the trustee or any paying agent for cancellation.

Interest

Fixed Rate Notes

The Fixed Rate Notes each bear interest at the applicable interest rate shown in the table above and accrue interest from May 15, 2018, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest is payable on each of the 2023 Notes, the 2025 Notes and the 2028 Notes twice a year, on May 15 and November 15, commencing November 15, 2018, to the person in whose name a 2023 Note, a 2025 Note, or a 2028 Note, respectively, is registered at the close of business on the April 30 or October 31 that precedes the date on which interest will be paid. Interest is payable on the 2021 Notes twice a year, on May 14 and November 14, commencing November 14, 2018, to the person in whose name a 2021 Note is registered at the close of business on the April 29 or October 30 that precedes the date on which interest will be paid. Interest on the Fixed Rate Notes are paid on the basis of a 360-day year consisting of twelve 30-day months.

If an interest payment date or redemption date, or the maturity date, for any series of Fixed Rate Notes, as the case may be, would fall on a day that is not a business day, then the required payment will be made on the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

Floating Rate Notes

Interest on the Floating Rate Notes is payable quarterly on February 14, May 14, August 14 and November 14 of each year, commencing August 14, 2018 (each, a "Floating Rate Interest Payment Date").

The initial interest rate on the Floating Rate Notes for the first Floating Rate Interest Period (as defined below) will be a per annum rate equal to the three-month U.S. dollar London interbank offered rate ("LIBOR"), as determined on May 11, 2018, plus 0.350% (the "Floating Rate Initial Interest Rate"). Thereafter, the interest rate on the Floating Rate Notes for any Floating Rate Interest Period will be a per annum rate equal to LIBOR, as determined on the applicable Interest Determination Date (as defined below), plus 0.350%.

The interest on the Floating Rate Notes is reset quarterly every February 14, May 14, August 14 and November 14 of each year, commencing August 14, 2018 (each, an "Interest Reset Date").

The regular record dates for the Floating Rate Notes is the 15th calendar day preceding each Floating Rate Interest Payment Date, whether or not a business day. Interest on the Floating Rate Notes is calculated on the basis of the actual number of days in each Floating Rate Interest Period, assuming a 360-day year.

If a Floating Rate Interest Payment Date, other than the maturity date or a redemption date, for the Floating Rate Notes would fall on a day that is not a business day, the Floating Rate Interest Payment Date will be postponed to the next succeeding business day and interest thereon will continue to accrue to but excluding such succeeding business day, except that if that business day falls in the next succeeding calendar month, the Floating Rate Interest Payment Date will be the immediately preceding business day and interest shall accrue to but excluding such preceding business day. If the maturity date or a redemption date for the Floating Rate Notes would fall on a day that is not a business day, the required payment will be made on the next succeeding business day, but no additional interest shall accrue and be paid unless we fail to make payment on such next succeeding business day.

"Floating Rate Interest Period" means the period beginning on (and including) May 15, 2018, in the case of the initial period, or thereafter a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"Interest Determination Date" means May 11, 2018, in the case of the initial period, or thereafter, the second London banking day preceding the applicable Interest Reset Date.

"London banking day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

LIBOR will be determined by the calculation agent in accordance with the following provisions:

- With respect to any Interest Determination Date, LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having a maturity of three months commencing on May 15, 2018 or the related Interest Reset Date, as applicable, that appears on Reuters Page LIBOR01 (as defined below) as of 11:00 a.m., London time, on that Interest Determination Date. If no such rate appears, then LIBOR, in respect of that Interest Determination Date, will be determined in accordance with the provisions described in the following paragraph.
- With respect to an Interest Determination Date on which no rate appears on Reuters Page LIBOR01, the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market (which may include affiliates of the underwriters), as selected and identified by us (the "London Reference Banks"), to provide its offered quotation (expressed as a percentage per year) for deposits in U.S. dollars for the period of three months, commencing on May 15, 2018 or the related Interest Reset Date, as applicable, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the City of New York, on the Interest Determination Date by three major banks in the City of New York (which may include affiliates of the underwriters), as selected and identified by us (together with the London Reference Banks, the "Reference Banks"), for loans in U.S. dollars to leading European banks, for a period of three months, commencing on May 15, 2018 the related Interest Reset Date, as applicable, and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two such rates are so provided, LIBOR on the Interest Determination Date will be the arithmetic mean of such rates. If fewer than two such rates are so provided, LIBOR on the Interest Determination Date will be LIBOR in effect with respect to the immediately preceding Interest Determination Date.

"Reuters Page LIBOR01" means the display that appears on Reuters Page LIBOR01 or any page as may replace such page on such service (or any successor service) for the purpose of displaying LIBOR of major banks for U.S. dollars.

Covenants

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any U.K. or U.S. withholding tax from any payment made on the Notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no such taxes had been applicable. See "—Payment of Additional Amounts."

As contemplated by the last paragraph under "Description of Debt Securities—Defeasance" below, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the GSK Capital Inc. Indenture or the GSK Capital plc Indenture, as applicable, with respect to the Notes of any or all series, as applicable. In addition, we may omit to comply with certain covenants through covenant defeasance. We refer you to the information under "Description of Debt Securities—Defeasance" below for more information on how we may do this.

Except as described herein, neither the GSK Capital Inc. Indenture nor the GSK Capital plc Indenture contains any covenants or other provisions designed to protect holders of the Notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the Notes, including, among other things, through the incurrence of additional indebtedness.

Payment of Additional Amounts

The provisions of the GSK Capital Inc. Indenture and the GSK Capital plc Indenture described under "Description of Debt Securities—Covenants—Payment of Additional Amounts" below do not apply to the Notes. The following payment of additional amounts provisions apply to the Notes.

Payments made by us under or with respect to the Notes will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the Notes, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; provided that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the applicable Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or the United States or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;
- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- payable other than by withholding from payments of principal of or premium, if any, or interest on the applicable Notes;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;
- that would not have been imposed but for the presentation of the applicable Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that would not have been imposed if presentation for payment of the applicable Notes had been made to a paying agent other than the paying agent to which the presentation was made;

- that are imposed solely by reason of the holder or beneficial owner owning or having owned, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any security through which payment on the security is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code as in effect on the date of issuance of the applicable Notes or any successor or amended version of such provisions; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or premium, if any, or interest on any Notes to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of such Notes.

We have agreed in the GSK Capital Inc. Indenture and the GSK Capital plc Indenture that at least one paying agent for the Notes will be located outside the United Kingdom.

Our obligation to pay additional amounts if and when due will survive the termination of the GSK Capital Inc. Indenture or the GSK Capital plc Indenture, as applicable, and the payment of all amounts in respect of the Notes.

Tax Redemption

In the event of changes in U.K. or U.S. withholding taxes applicable to payments of interest, we may redeem the Notes of a series in whole (but not in part) at any time prior to maturity, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. See "Description of Debt Securities—Optional Redemption for Tax Reasons" below.

Optional Make-Whole Redemption

We may redeem the 2021 Notes, the 2023 Notes, the 2025 Notes and/or the 2028 Notes in whole or in part, at our option at any time and from time to time, prior to maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the Fixed Rate Notes of the applicable series to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal of and interest on the Fixed Rate Notes of the applicable series being redeemed on that redemption date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate, plus 0.100% in the case of the 2021 Notes, 0.100% in the case of the 2023 Notes, 0.150% in the case of the 2025 Notes, and 0.150% in the case of the 2028 Notes, plus, in each case, accrued and unpaid interest thereon to, but excluding, the date of redemption. Notwithstanding the foregoing, installments of interest on the Fixed Rate Notes to be redeemed that are due and payable on an interest payment date falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Fixed Rate Notes and the GSK Capital Inc. Indenture or the GSK Capital plc Indenture, as applicable.

"Comparable Treasury Issue" means the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the Fixed Rate Notes of the applicable series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the quotation agent for the Notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation.

"Quotation agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each registered holder of the Fixed Rate Notes of the applicable series to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which such Notes are listed. On and after any redemption date, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the Fixed Rate Notes to be redeemed on that date. If less than all of the Fixed Rate Notes of the applicable series are to be redeemed, the Fixed Rate Notes to be redeemed shall be selected by lot by The Depository Trust Company ("DTC"), in the case of Notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of Notes that are not represented by a global security.

Events of Default

The events of default under the GSK Capital Inc. Indenture or the GSK Capital plc Indenture, as applicable, with respect to the Notes are defined under "Description of Debt Securities—Events of Default" below.

Further Issuances

We initially offered the 2021 Notes in the aggregate principal amount of $1,250,000,000, the 2023 Notes in the aggregate principal amount of $1,250,000,000, the 2025 Notes in the aggregate principal amount of $1,000,000,000, the 2028 Notes in the aggregate principal amount of $1,750,000,000 and the Floating Rate Notes in the aggregate principal amount of $750,000,000. We may from time to time, without the consent of the holders of a series of Notes, create and issue further debt securities of the same series having the same terms and conditions in all respects as the applicable Notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. Any such additional debt securities shall be issued under a separate CUSIP or ISIN number unless the additional debt securities are issued pursuant to a "qualified reopening" of the original series, are otherwise treated as part of the same "issue" of debt instruments as the original series or are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes.

Book-Entry System

We issued the Notes of each series in the form of one or more fully registered global securities. We deposited these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the Notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream Banking S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is partially owned by some of these participants or their representatives. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission.

Clearstream and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the date of the prospectus supplement, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the Commission de Surveillance du Secteur Financier and the Banque Centrale du Luxembourg, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the Notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to Notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported, to the relevant Euroclear Participant or Clearstream Participant during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy or completeness of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

Same-Day Settlement and Payment

Initial settlement for the Notes was made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

c. Base Prospectus – March 28, 2018

Description of Debt Securities

General

As used in this "Description of Debt Securities," "debt securities" means the debentures, notes, bonds, guarantees and other evidences of indebtedness that GSK issues or that a finance subsidiary issues and GSK fully and unconditionally guarantees and, in each case, the trustee authenticates and delivers under the applicable indenture. The debt securities will be our direct unsecured obligations and will rank equally and ratably without preference among themselves and at least equally with all of our other unsecured and unsubordinated indebtedness.

The debt securities will be issued in one or more series under an indenture dated as of March 4, 2008 between GSK and Deutsche Bank Trust Company Americas, as trustee (the "trustee") (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated April 12, 2017 among GSK, the trustee and Law Debenture Trust Company of New York), as supplemented by a first supplemental indenture dated as of March 21, 2014 between GSK and the trustee (for purposes of this "Description of Debt Securities," the "GSK plc Indenture"), an indenture dated as of April 6, 2004 among GSK Capital plc, GSK, as guarantor, and the trustee (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated

April 12, 2017 among GSK Capital plc, the guarantor, the trustee and Law Debenture Trust Company of New York), as supplemented by a first supplemental indenture dated as of March 21, 2014 among GSK Capital plc, the guarantor and the trustee (for purposes of this "Description of Debt Securities," the "GSK Capital plc Indenture"), or an indenture dated as of April 6, 2004 among GSK Capital Inc., the guarantor and the trustee (as successor to Law Debenture Trust Company of New York, pursuant to an Instrument of Resignation, Appointment and Acceptance dated April 12, 2017, among GSK Capital Inc., the guarantor, the trustee and Law Debenture Trust Company of New York), as supplemented by a first supplemental indenture dated as of March 18, 2013 among GSK Capital Inc., the guarantor and the trustee and a second supplemental indenture dated as of March 21, 2014 among GSK Capital Inc., the guarantor and the trustee (for purposes of this "Description of Debt Securities," the "GSK Capital Inc. Indenture"). Each of the GSK plc Indenture, the GSK Capital plc Indenture and the GSK Capital Inc. Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). In the following discussion, we sometimes refer to these indentures collectively as the "indentures."

This "Description of Debt Securities" briefly outlines the provisions of the indentures and is qualified in its entirety by reference to the indentures. The terms of the indentures will include both those stated in the indentures and those made part of the indentures by the Trust Indenture Act. The indentures have been filed as exhibits to the registration statement of which the base prospectus forms a part, and you should read the indentures for provisions that may be important to you.

The indentures do not contain any covenants or other provisions designed to protect holders of the debt securities against a reduction in the creditworthiness of GSK or the finance subsidiaries in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the debt securities.

Issuances in Series

The indentures do not limit the amount of debt securities that may be issued. The debt securities may be issued in one or more series with the same or various maturities, at a price of 100% of their principal amount or at a premium or a discount. Not all debt securities of any one series need be issued at the same time, and, unless otherwise provided, any series may be reopened, without the consents of the holders of debt securities of that series, for issuances of additional debt securities of that series. Except in the limited circumstances described below under "—Covenants—Limitation on Liens," the debt securities will not be secured by any property or assets of GSK, as issuer or guarantor, or the finance subsidiaries.

The terms of any authorized series of debt securities will be described in a prospectus supplement. These terms will include some or all of the following:

- the title, aggregate principal amount and denominations of the debt securities;
- the date or dates on which principal will be payable;
- the percentage of the principal amount at which the debt securities will be issued and whether the debt securities will be "original issue discount" securities for U.S. federal income tax purposes. If original issue discount debt securities are issued (generally, securities that are issued at a substantial discount below their principal amount), the special U.S. federal income tax and other considerations of a purchase of original issue discount debt securities will be described;
- the rate or rates, which may be fixed or variable, at which the debt securities will bear interest;
- the interest payment dates;
- any optional or mandatory redemption terms;
- whether any sinking fund is required;
- the currency in which the debt securities will be denominated or principal, premium or interest will be payable, if other than U.S. dollars;
- whether the debt securities are to be issued as individual certificates to each holder or in the form of global certificates held by a depositary on behalf of beneficial owners;
- information describing any book-entry features;

- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for any series;
- the applicability of the defeasance and covenant defeasance provisions described herein, or any modifications of those provisions;
- any deletions from, modifications of or additions to the events of default or covenants with respect to the debt securities; and
- any other terms, conditions, rights or preferences of the debt securities.

Debt securities that have a maturity of less than one year from their date of issue and in respect of which the proceeds are to be received by us in the United Kingdom will have a minimum denomination of £100,000 (or its equivalent in another currency).

The prospectus supplement relating to any series of debt securities may add to or change statements contained in the base prospectus. The prospectus supplement may also include, if applicable, a discussion of certain U.S. federal income tax and U.K. income tax considerations.

GlaxoSmithKline Guarantees

Debt securities issued by the GSK Capital Inc. or GSK Capital plc (the "finance subsidiaries") will be fully and unconditionally guaranteed by GSK. If for any reason the applicable finance subsidiary does not make any required payment in respect of its debt securities when due, whether on the normal due date, on acceleration, redemption or otherwise, GSK will cause the payment to be made to or to the order of the trustee. The holder of a guaranteed debt security will be entitled to payment under the applicable guarantee of GSK without taking any action whatsoever against the finance subsidiary.

Payment and Transfer

The debt securities will be issued only as registered securities, which means that the name of the holder will be entered in a register that will be kept by the trustee or another agent appointed by us. Unless stated otherwise in a prospectus supplement, and except as described under "—Book-Entry System" below, payments of principal, interest and additional amounts, if any, will be made at the office of the paying agent or agents named in the prospectus supplement or by check mailed to you at your address as it appears in the register.

Unless other procedures are described in a prospectus supplement and except as described under "—Book Entry System" below, you will be able to transfer registered debt securities at the office of the transfer agent or agents named in the prospectus supplement. You may also exchange registered debt securities at the office of the transfer agent for an equal aggregate principal amount of registered debt securities of the same series having the same maturity date, interest rate and other terms as long as the debt securities are issued in authorized denominations.

Neither we nor the trustee will impose any service charge for any transfer or exchange of a debt security; however, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of debt securities.

Book-Entry System

Debt securities may be issued under a book-entry system in the form of one or more global securities. The global securities will be registered in the name of a depositary or its nominee and deposited with that depositary or its custodian. Unless stated otherwise in the prospectus supplement, The Depository Trust Company, New York, New York, or DTC, will be the depositary if a depositary is used.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act;

- DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as through transfers and pledges, among its participants in such securities through electronic book-entry changes to accounts of its participants, thereby eliminating the need for physical movement of securities certificates;
- DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC;
- access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly; and
- the DTC rules applicable to its participants are on file with U.S. Securities and Exchange Commission.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Following the issuance of a global security in registered form, the depositary will credit the accounts of its participants with the debt securities upon our instructions. Only persons who hold directly or indirectly through financial institutions that are participants in the depositary can hold beneficial interests in the global securities. Since the laws of some jurisdictions require certain types of purchasers to take physical delivery of such securities in definitive form, you may encounter difficulties in your ability to own, transfer or pledge beneficial interests in a global security.

So long as the depositary or its nominee is the registered owner of a global security, we and the trustee will treat the depositary as the sole owner or holder of the debt securities for purposes of the applicable indenture. Therefore, except as set forth below, you will not be entitled to have debt securities registered in your name or to receive physical delivery of certificates representing the debt securities. Accordingly, you will have to rely on the procedures of the depositary and the participant in the depositary through whom you hold your beneficial interest in order to exercise any rights of a holder under the indenture. We understand that under existing practices, the depositary would act upon the instructions of a participant or authorize that participant to take any action that a holder is entitled to take.

We will make all payments of principal, interest and additional amounts, if any, on the debt securities to the depositary. It is expected that the depositary will then credit participants' accounts proportionately with these payments on the payment date and that the participants will in turn credit their customers' accounts in accordance with their customary practices. Neither we nor the trustee will be responsible for making any payments to participants or customers of participants or for maintaining any records relating to the holdings of or payments to participants and their customers, and you will have to rely on the procedures of the depositary and its participants.

Global securities are generally not transferable. Physical certificates will be issued to beneficial owners in lieu of a global security only in the special situations described in the sixth paragraph under the heading "Legal Ownership of Debt Securities—Global Securities" below.

Consolidation, Merger or Sale

We and the finance subsidiaries have agreed in the indentures not to consolidate with or merge with or into any other person or convey or transfer all or substantially all of our respective properties and assets to any person (except that the finance subsidiaries may merge into us), unless:

- we or the applicable finance subsidiary, as the case may be, are the continuing person, or the successor expressly assumes by supplemental indenture our obligations under the applicable indenture;
- the continuing person is a U.S. or U.K. company or is organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and, if it is not a U.S. or U.K. company, the continuing person agrees

by supplemental indenture to be bound by a covenant comparable to that described below under "—Covenants—Payment of Additional Amounts" with respect to taxes imposed in the continuing person's jurisdiction of organization (in which case the continuing person will benefit from a redemption option comparable to that described below under "—Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the consolidation, merger or sale);

- immediately after the transaction, no default under the debt securities has occurred and is continuing; and
- we deliver to the trustee an officer's certificate and, if neither we nor the applicable subsidiary are the continuing person, an opinion of counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and the indenture.

Covenants

Payment of Additional Amounts

Payments made by us under or with respect to the debt securities will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) solely with respect to debt securities issued under the GSK Capital Inc. Indenture, the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the debt securities, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; *provided* that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the debt securities (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or, solely with respect to debt securities issued under the GSK Capital Inc. Indenture, the United States or, as applicable, any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;
- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- payable other than by withholding from payments of principal of or interest on the debt securities;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;
- that would not have been imposed but for the presentation of a debt security (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

- that would not have been imposed if presentation for payment of the relevant debt securities had been made to a paying agent other than the paying agent to which the presentation was made;
- that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any debt security through which payment on the debt security is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service or any other governmental authority) imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code as in effect on the date of issuance of the Notes or any successor or amended version of such provisions, or any agreement entered into pursuant to Section 1471(b) of the U.S. Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the U.S. Internal Revenue Code (or any law implementing such intergovernmental agreement);
- solely with respect to debt securities issued under the GSK Capital Inc. Indenture, that are imposed solely by reason of the holder or beneficial owner owning or having owned, actually or constructively, 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or interest on any debt security to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of the debt security.

We have agreed in each indenture that at least one paying agent for each series of debt securities will be located outside the United Kingdom. We have also agreed that if we maintain a paying agent with respect to a particular series of debt securities in any member state of the European Union, we will maintain a paying agent in at least one member state (other than the United Kingdom) that will not be obliged to withhold or deduct taxes pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, provided there is at least one member state that does not require a paying agent to withhold or deduct pursuant to such Directive.

Our obligation to pay additional amounts if and when due will survive the termination of the indentures and the payment of all amounts in respect of the debt securities.

Limitation on Liens

We have agreed in the indentures not to incur or assume (or permit any of our subsidiaries to incur or assume) any lien on or with respect to any of our or our subsidiaries' property, assets or revenues, present or future, to secure any relevant indebtedness (as this term is defined below) without making (or causing our subsidiaries to make) effective provision for securing the debt securities equally and ratably with such relevant indebtedness as to such property, assets or revenues, for as long as such relevant indebtedness is so secured.

The restrictions on liens will not apply to:

- liens arising by operation of law;
- liens on property, assets or revenues of any person, which liens are existing at the time such person becomes a subsidiary; and
- liens on property, assets or revenues of a person existing at the time such person is merged with or into or consolidated with us or any of our subsidiaries or at the time of a sale, lease or other disposition to us of the properties of a person as an entirety or substantially as an entirety.

For purposes of the limitation on liens covenant, the term "relevant indebtedness" means any of our debt that:

- is in the form of or represented by bonds, notes, loan stock, depositary receipts or other securities issued (otherwise than to constitute or by banks or other lending institutions);
- is denominated in, or confers any right of payment by reference to, any currency other than the currency of the country in which the issuer of the indebtedness has its principal place of business, or is denominated in or by reference to the currency of such country but more than 20% of which is placed or offered for subscription or sale by or on behalf of, or by agreement with, the issuer outside such country; and

- at its date of issue is, or is intended by the issuer to become, quoted, listed, traded or dealt in on any stock exchange, over-the-counter market or other securities market.

Additional Covenants

We may be subject to additional covenants, including restrictive covenants in respect of a particular series of debt securities. Such additional covenants will be set forth in the applicable prospectus supplement and, to the extent necessary, in the supplemental indenture or board resolution relating to that series of debt securities.

Optional Redemption for Tax Reasons

We may redeem any series of debt securities in whole but not in part at any time, on giving not less than 30 nor more than 60 days' notice of such redemption, at a redemption price equal to the principal amount plus accrued interest, if any, to the date fixed for redemption (except in the case of discounted debt securities, which may be redeemed at the redemption price specified by the terms of each series of such debt securities), if:

- we determine that, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the United Kingdom (or of any political subdivision or taxing authority thereof) or, solely with respect to debt securities issued under the GSK Capital Inc. Indenture, the United States (or of any political subdivision or taxing authority thereof), or any change in the application or official interpretation of such laws, regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which any such jurisdiction is a party, which change, execution or amendment becomes effective on or after the issue date or such other date specified in the debt securities of that series:
  - we would be required to pay additional amounts (as described under "—Covenants—Payment of Additional Amounts" above) with respect to that series of debt securities on the next succeeding interest payment date and the payment of such additional amounts cannot be avoided by the use of reasonable measures available to us; or
  - withholding tax has been or would be required to be withheld with respect to interest income received or receivable by the applicable finance subsidiary directly from the guarantor (or any affiliate) and such withholding tax obligation cannot be avoided by the use of reasonable measures available to the applicable finance subsidiary or the guarantor (or any affiliate); or
- we determine, based upon an opinion of independent counsel of recognized standing that, as a result of any action taken by any legislative body of, taxing authority of, or any action brought in a court of competent jurisdiction in, the United Kingdom (or any political subdivision or taxing authority thereof) or, solely with respect to debt securities issued under the GSK Capital Inc. Indenture, the United States (or any political subdivision or taxing authority thereof) (whether or not such action was taken or brought with respect to GSK, as issuer or guarantor, or the applicable finance subsidiary, as the case may be), which action is taken or brought on or after the issue date or such other date specified in the debt securities of that series, there is a substantial probability that the circumstances described above would exist; provided, however, that such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay such additional amounts.

We will also pay to each holder, or make available for payment to each such holder, on the redemption date any additional amounts resulting from the payment of such redemption price. Prior to the publication of any notice of redemption, we will deliver to the trustee:

- an officer's certificate stating that we are entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred; or
- an opinion of counsel to the effect that the conditions specified above have been satisfied.

Any notice of redemption will be irrevocable once we deliver the officer's certificate to the trustee.

Events of Default

Unless otherwise specified in a prospectus supplement, an event of default with respect to a series of debt securities occurs upon:

- default in payment of the principal (or premium, if any) of any debt security of that series when due (including as a sinking fund installment), and, in the case of technical or administrative difficulties, the continuance of that default for more than two business days;
- default in payment of interest on, or any additional amounts payable in respect of, any debt security of that series when due and payable, and the continuance of that default for 30 days;
- default in performing any other covenant in the indenture applicable to that series for 90 days after the receipt of written notice specifying such default from the trustee or from the holders of 25% in principal amount of the debt securities of that series;
- default under any bond, debenture, note or other evidence of indebtedness for money borrowed of GSK or either finance subsidiary, as the case may be (not including any indebtedness for which recourse is limited to property purchased), having in any particular case an outstanding principal amount in excess of £100,000,000 (or its equivalent in any other currency) where any such failure results in such indebtedness being accelerated and becoming due and payable prior to its stated maturity and such acceleration shall not have been rescinded or annulled or such indebtedness shall not have been discharged; provided that there shall not be deemed to be an Event of Default if such acceleration is rescinded or annulled or such payment is made within 10 days after there has been given to GSK and either finance subsidiary by the trustee or to either finance subsidiary, GSK and the trustee by the holders of 25% or more in aggregate principal amount of the debt securities of such series a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;
- certain events of bankruptcy, insolvency or reorganization of GSK or either finance subsidiary, as the case may be;
- any other event of default provided with respect to that particular series of debt securities.

Any additional or different events of default applicable to a particular series of debt securities will be described in the prospectus supplement relating to such series.

An event of default with respect to a particular series of debt securities will not necessarily constitute an event of default with respect to any other series of debt securities.

The trustee may withhold notice to the holders of debt securities of any default (except in the payment of principal, premium or interest) if it, in good faith considers such withholding of notice to be in the best interests of the holders. A default is any event which is an event of default described above or would be an event of default but for the giving of notice or the passage of time.

If an event of default occurs and continues, the trustee or the holders of the aggregate principal amount of the debt securities specified below may require us to repay immediately, or accelerate:

- the entire principal of the debt securities of such series; or
- if the debt securities are original issue discount securities, such portion of the principal as may be described in the applicable prospectus supplement.

If the event of default occurs because of a default in a payment of principal or interest on the debt securities of any series, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of that series can accelerate that series of debt securities. If the event of default occurs because of a failure to perform any other covenant in the applicable indenture or any covenant for the benefit of one or more, but not all, of the series of debt securities, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of all series affected, voting as one class, can accelerate all of the affected series of debt securities. If the event of default occurs because of bankruptcy proceedings, then all of the debt securities under the indenture will be accelerated automatically. Therefore, except in the case of a default on a payment of principal or interest on the debt securities of your series or a default due to our bankruptcy or insolvency, it is possible that you may not be able to accelerate the debt securities of your series because of the failure of holders of other series to take action.

The holders of a majority of the aggregate principal amount of the debt securities of all affected series, voting as one class, can rescind this accelerated payment requirement or waive any past default or event of default or allow noncompliance with any provision of the applicable indenture. However, they cannot waive a default in payment of principal of, premium, if any, or interest on any of the debt securities when due otherwise than as a result of acceleration.

After an event of default, the trustee must exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee is not obligated to exercise any of its rights or powers under the applicable indenture at the request, order or direction of any holders, unless the holders offer the trustee indemnity satisfactory to it. If they provide this indemnity, the holders of a majority in principal amount of all affected series of debt securities, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of debt securities. However, the trustee may refuse to follow any direction that conflicts with law or the indenture or is unduly prejudicial to the rights of other holders.

No holder will be entitled to pursue any remedy with respect to the indenture unless the trustee fails to act for 60 days after it is given:

- notice of default by that holder;
- a written request to enforce the indenture by the holders of not less than 25% in principal amount of all outstanding debt securities of any affected series; and
- an indemnity to the trustee, reasonably satisfactory to the trustee;

and during this 60-day period the holders of a majority in principal amount of all outstanding debt securities of such affected series do not give a direction to the trustee that is inconsistent with the enforcement request. These provisions will not prevent any holder of debt securities from enforcing payment of the principal of (and premium, if any) and interest on the debt securities at the relevant due dates.

If an event of default with respect to a series of debt securities occurs and is continuing, the trustee will mail to the holders of those debt securities a notice of the event of default within 90 days after it occurs. However, except in the case of a default in any payment in respect of a series of debt securities, the trustee shall be protected in withholding notice of an event of default if it determines in good faith that this is in the interests of the holders of the relevant debt securities.

Modification of the Indentures

In general, rights and obligations of us and the holders under the indentures may be modified if the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification consent to such modification. However, each of the indentures provides that, unless each affected holder agrees, an amendment cannot:

- make any adverse change to any payment term of a debt security such as extending the maturity date, extending the date on which we have to pay interest or make a sinking fund payment, reducing the interest rate, reducing the amount of principal we have to repay, changing the currency in which we have to make any payment of principal, premium or interest, modifying any redemption or repurchase right, or right to convert or exchange any debt security, to the detriment of the holder and impairing any right of a holder to bring suit for payment;
- waive any payment default;
- reduce the percentage of the aggregate principal amount of debt securities needed to make any amendment to the applicable indenture or to waive any covenant or default; or
- make any other change to the amendment provisions of the applicable indenture.

However, if we and the trustee agree, the applicable indenture may be amended without notifying any holders or seeking their consent if the amendment does not materially and adversely affect any holder. We and the trustee are permitted to make modifications and amendments to the applicable indenture without the consent of any holder of debt securities for any of the following purposes:

- to cure any ambiguity, defect or inconsistency in the indenture;
- to comply with sections of the indenture governing when we may merge and substitute obligors;
- to comply with any requirements of the U.S. Securities and Exchange Commission in connection with the qualification of the indenture under the Trust Indenture Act;
- to evidence and provide for the acceptance by a successor trustee of appointment under the indenture with respect to the debt securities of any or all series;
- to establish the form or forms or terms of the debt securities of any series or of the coupons appertaining to such debt securities as permitted under the indenture;
- to provide for uncertificated debt securities and to make all appropriate changes for such purpose;
- to provide for a further guarantee from a third party on outstanding debt securities of any series and the debt securities of any series that may be issued under the indenture;
- to change or eliminate any provision of the indenture; provided that any such change or elimination will become effective only when there are no outstanding debt securities of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;
- to supplement any of the provisions of the indenture to such extent as will be necessary to permit or facilitate the defeasance and discharge of any series of debt securities pursuant to the indenture; provided that any such action will not adversely affect the interests of the holders of such or any other series of debt securities in any material respect; or
- to make any change that does not materially and adversely affect the rights of any holder of the debt securities.

Defeasance

The term defeasance means discharge from some or all of the obligations under the indentures. If we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the debt securities of a particular series, then at our option:

- we will be discharged from our respective obligations with respect to the debt securities of such series; or
- we will no longer be under any obligation to comply with the restrictive covenants, if any, contained in the applicable indenture and any supplemental indenture or board resolution with respect to the debt securities of such series, and the events of default relating to failures to comply with covenants will no longer apply to us.

If this happens, the holders of the debt securities of the affected series will not be entitled to the benefits of the applicable indenture except for registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities. Instead, the holders will only be able to rely on the deposited funds or obligations for payment.

We must deliver to the trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for U.S. federal income tax purposes. We may, in lieu of an opinion of counsel, deliver a ruling to such effect received from or published by the U.S. Internal Revenue Service.

Substitution of Issuer

We may at our option at any time, without the consent of any holders of debt securities, cause GSK or any other subsidiary of GSK to assume the obligations of the applicable finance subsidiary under any series of debt securities, *provided* that the new obligor executes a supplemental indenture in which it agrees to be bound by the terms of those debt securities and the relevant indenture. If the new obligor is not a U.S. or U.K. company, it must be organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and it must also agree in the

supplemental indenture to be bound by a covenant comparable to that described above under "—Covenants—Payment of Additional Amounts" with respect to taxes imposed in its jurisdiction of organization (in which case the new obligor will benefit from a redemption option comparable to that described above under "—Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the substitution). In the case of such a substitution, the applicable finance subsidiary will be relieved of any further obligation under the assumed series of debt securities.

For U.S. federal income tax purposes, a substitution of obligors as described above generally would be treated as a deemed taxable exchange of debt securities for new debt securities issued by the new obligor. As discussed further in the applicable prospectus supplement, a United States person who holds debt securities or owns a beneficial interest therein generally will recognize capital gain or loss in an amount equal to the difference between the issue price of the new debt securities and such person's adjusted tax basis in the debt securities. Such persons should consult their own tax advisors regarding the tax consequences of a deemed taxable exchange in the event of a substitution of obligors.

Information Concerning the Trustee

Deutsche Bank Trust Company Americas, 60 Wall Street, 16th Floor, New York, NY 10005, will be the trustee. The trustee will be required to perform only those duties that are specifically set forth in the indentures, except when a default has occurred and is continuing with respect to the debt **s**ecurities. After a default, the trustee must exercise the same degree of care that a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee will be under no obligation to exercise any of the powers vested in it by the indentures at the request of any holder of debt securities unless the holder offers the trustee indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by exercising those powers.

Governing Law

The debt securities, the related guarantees and the indentures will be governed by and construed in accordance with the laws of the State of New York.

Legal Ownership of Debt Securities

"Street Name" and Other Indirect Holders

We generally will not recognize investors who hold debt securities in accounts at banks or brokers as legal holders of those debt securities.

Holding securities in accounts at banks or brokers is called holding in "street name." If an investor holds debt securities in street name, we recognize only the bank or broker or the financial institution the bank or broker uses to hold the debt securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold debt securities in street name, you should check with your own institution to find out:

- how it handles payments and notices with respect to securities;
- whether it imposes fees or charges;
- how it would handle voting if ever required;
- how and when you should notify it to exercise on your behalf any rights or options that may exist under the debt securities;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Registered Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, extend only to persons who are registered as holders of debt securities. As noted above, we do not have obligations directly to you if you hold in street name or through other indirect means, either because you choose to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you but does not do so.

Global Securities

A global security is a special type of indirectly held security. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners of the debt securities will be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities represented by the global security not be registered in the name of any other holder except in the special situations described below. The financial institution that acts as the sole registered holder of the global security is called the depositary. Any person wishing to own a debt security may do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement will indicate whether your series of debt securities will be issued only as global securities.

Transfers of debt securities represented by the global security will be made only on the records of the depositary or its nominee by transferring such debt securities from the account of one broker, bank or financial institution to the account of another broker, bank or financial institution. These transfers are made electronically only and are also known as book-entry transfers. Securities in global form are sometimes also referred to as being in book-entry form.

As an indirect holder, your rights relating to a global security will be governed by the account rules of your broker, bank or financial institution and of the depositary, as well as general laws relating to securities transfers. We will not recognize you as a holder of debt securities and instead will deal only with the depositary that holds the global security.

You should be aware that if debt securities are issued only in the form of a global security:

- except in very limited circumstances described below, you will not have any right to have debt securities registered in your own name;
- you cannot receive physical certificates for your interest in the debt securities;
- you will be a street name holder and must look to your own broker, bank or financial institution for payments on the debt securities and protection of your legal rights relating to the debt securities;
- you may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own securities in the form of physical certificates;
- the depositary's policies will govern payments, transfers, exchanges and other matters relating to your indirect interest in the global security. We and the trustee will have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also will not supervise the depositary in any way; and
- the depositary will require that indirect interests in the global security be purchased or sold within its system using same-day funds for settlement.

In a few special circumstances described below, the global security will terminate and the indirect interests in it will be exchanged for registered debt securities represented by physical certificates. After that exchange, the choice of whether to hold debt securities in registered form or in street name will be up to you. You must consult your broker, bank or financial institution to find out how to have your interests in debt securities transferred to your name, so that you will be a registered holder of the debt securities.

Unless we specify otherwise in the prospectus supplement, the special circumstances for termination of a global security are:

- when the depositary notifies us that it is unwilling or unable to continue as depositary and we do not or cannot appoint a successor depositary within 90 days;
- the depositary ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depositary within 90 days;

- an event of default has occurred and is continuing and beneficial owners representing a majority in principal amount of the applicable series of debt securities have advised the depositary to cease acting as the depositary; or
- we decide we do not want to have the debt securities of that series represented by a global security.

The prospectus supplement may also list additional circumstances for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depositary (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial registered holders.

The Term "Holder"

In the descriptions of the debt securities included herein, when we refer to the "holder" of a given debt security as being entitled to certain rights or payments, or being permitted to take certain actions, we are in all cases referring to the registered holder of the debt security.

While you would be the registered holder if you held a certificated security registered in your name, it is likely that the holder will actually be either the broker, bank or other financial institutions where you have your street name account, or, in the case of a global security, the depositary. If you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a debt security in order to determine how the provisions involving holders described in the descriptions of the debt securities included herein will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot exercise the option yourself by following the procedures described in the prospectus supplement. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the prospectus supplement relating to the debt security.

2. Notes offered pursuant to the Base Prospectus dated March 4, 2011

a. Prospectus Supplement (March 13, 2013) – 2.800% Notes due 2023 and 4.200% Notes due 2043

Description of the Notes

General

We issued the 2.800% Notes due 2023 (for purposes of this "Description of the Notes" only, the "2023 notes") and the 4.200% Notes due 2043 (the "2043 notes") pursuant to an indenture, dated April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital Inc., as issuer, and Law Debenture Trust Company of New York, the trustee for the notes (as successor to Citibank, N.A., pursuant to an Instrument of Resignation, Appointment and Acceptance dated December 27, 2007 among GSK Capital Inc., GlaxoSmithKline plc, Law Debenture Trust Company of New York and Citibank, N.A.), as supplemented by a first supplemental indenture thereto dated March 18, 2013 (for purposes of this description of the 2023 and the 2043 notes only, the "indenture"). References in this "Description of the Notes" to the "notes" refer to the 2023 notes and the 2043 notes. The notes are each a series of our debt securities. GSK Capital Inc. issued the 2023 notes in the aggregate principal amount of $1,250,000,000. The 2023 notes will mature on March 18, 2023 unless redeemed or repurchased prior to such date as permitted below. GSK Capital Inc. issued the 2043 notes in the aggregate principal amount of $500,000,000. The 2043 notes will mature on March 18, 2043 unless redeemed or repurchased prior to such date as permitted below. GSK Capital Inc. issued the notes only in book-entry form, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The notes each bear interest at the applicable interest rate shown in the table above and accrue interest from March 18, 2013, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest is payable on each of the 2023 notes and the 2043 notes twice a year, on March 18 and September 18, commencing September 18, 2013, to the person in whose name a 2023 note or a 2043 note, respectively, is registered at the close of business on the March 3 or September 3 that precedes the date on which interest will be paid. Interest on the notes is paid on the basis of a 360-day year consisting of twelve 30-day months. "Business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or London, England are authorized or obligated by law, regulation or executive order to be closed.

If an interest payment date or redemption date, or the maturity date, for the 2023 notes or the 2043 notes, as the case may be, would fall on a day that is not a business day, then the interest payment date or redemption date, or the maturity date, as the case may be, will be postponed to the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

The notes are fully and unconditionally guaranteed by GlaxoSmithKline plc. If, for any reason, GSK Capital Inc. does not make any required payment in respect of the notes when due, whether on the normal due date, on acceleration, redemption or otherwise, GlaxoSmithKline plc will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantee of GlaxoSmithKline plc without taking any action whatsoever against us.

Covenants

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any U.K. or U.S. withholding tax from any payment made on the notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no such taxes had been applicable. See "—Payment of Additional Amounts."

As contemplated by the last paragraph under "Description of Debt Securities—Defeasance" below, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the indenture with respect to the notes. In addition, we may omit to comply with certain covenants through covenant defeasance. We refer you to the information under "Description of Debt Securities—Defeasance" below for more information on how we may do this.

Except as described herein, the indenture for the notes does not contain any covenants or other provisions designed to protect holders of the notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the notes, including, among other things, through the incurrence of additional indebtedness.

Payment of Additional Amounts

The provisions of the indenture described under "Description of Debt Securities—Covenants—Payment of Additional Amounts" below do not apply to the notes. The following payment of additional amounts provisions apply to the notes.

Payments made by us under or with respect to the notes will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the notes, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; provided that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or the United States or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- payable other than by withholding from payments of principal of or premium, if any, or interest on the notes;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;
- that would not have been imposed but for the presentation of notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- that would not have been imposed if presentation for payment of the relevant notes had been made to a paying agent other than the paying agent to which the presentation was made;
- that are imposed solely by reason of the holder or beneficial owner owning or having owned, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any Security through which payment on the security is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code as in effect on the date of issuance of the Notes or any successor or amended version of such provisions; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or premium, if any, or interest on any notes to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of notes.

We have agreed in the indenture that at least one paying agent for the notes will be located outside the United Kingdom. We have also agreed that if we maintain a paying agent with respect to the notes in any member state of the European Union, we will maintain a paying agent in at least one member state that will not be obliged to withhold or deduct taxes pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, provided there is at least one member state that does not require a paying agent to withhold or deduct pursuant to such Directive.

Our obligation to pay additional amounts if and when due will survive the termination of the indenture and the payment of all amounts in respect of the notes.

Optional Make-Whole Redemption

We may redeem the 2023 notes and/or the 2043 notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 0.150% in the case of the 2023 notes and 0.175% in the case of the 2043 notes, plus, in each case, accrued and unpaid interest thereon to, but excluding, the date of redemption. Notwithstanding the foregoing, installments of interest on notes to be redeemed that are due and payable on an interest payment date falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

"Comparable Treasury Issue" means the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the quotation agent for the notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation.

"Quotation agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and UBS Securities LLC (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which such notes are listed. On and after any redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by lot by The Depository Trust Company ("DTC"), in the case of notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of notes that are not represented by a global security.

Events of Default

The definitions of an event of default with respect to a series of debt securities under "Description of Debt Securities—Events of Default" below do not apply to the notes.

The following are events of default under the indenture with respect to the notes of a series:

- default in payment of the principal of (or premium, if any, on) any such note when due, and, in the case of technical or administrative difficulties, the continuance of that default for more than two business days;
- default in payment of interest on, or any additional amounts payable in respect of, any such note when due and payable, and the continuance of that default for 30 days;
- default in performing any other covenant in the indenture applicable to any such note for 90 days after the receipt of written notice specifying such default from the trustee or from the holders of 25% in principal amount of such notes;

- default under any bond, debenture, note or other evidence of indebtedness for money borrowed of GlaxoSmithKline plc or GSK Capital Inc. (not including any indebtedness for which recourse is limited to property purchased), having in any particular case an aggregate outstanding principal amount in excess of £100,000,000 (or its equivalent in any other currency) whether such indebtedness now exists or shall hereafter be created, which default results in such indebtedness becoming or being accelerated and declared due and payable prior to its stated maturity and such acceleration shall not have been rescinded or annulled or such indebtedness shall not have been discharged; provided that there shall not be deemed to be an event of default if such acceleration is rescinded or annulled or such payment is made within 10 days after the receipt of written notice specifying such default from the trustee or from the holders of 25% in principal amount of such notes; and
- certain events of bankruptcy, insolvency or reorganization of GlaxoSmithKline plc or GSK Capital Inc.

Because the applicable threshold amount of indebtedness the acceleration of which would give rise to an event of default under the indenture is lower, and the number of days that must pass before the ongoing default in the performance of any covenant under the indenture other than the payment of principal, interest or additional amounts that would give rise to an event of default under the indenture is lower, for each series of debt securities issued under the indenture before the date of the first supplemental indenture, the acceleration of outstanding indebtedness of GlaxoSmithKline plc or GSK Capital Inc. or the ongoing default in the performance of any covenant in the indenture other than payment of principal, premium, interest or additional amounts may constitute an event of default with respect to one or more of such previously issued series, but may not constitute an event of default under the respective terms of the notes offered by the prospectus supplement.

Further Issuances

We initially offered the 2023 notes in the aggregate principal amount of $1,250,000,000 and the 2043 notes in the aggregate principal amount of $500,000,000. We may from time to time, without the consent of the holders of a series of notes, create and issue further notes of the same series having the same terms and conditions in all respects as the applicable notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. We will not issue any further notes unless such further notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes. Additional 2023 notes issued in this manner will be consolidated with and will form a single series with the 2023 notes being offered hereby. Additional 2043 notes issued in this matter will be consolidated with and will form a single series with the 2043 notes being offered hereby.

Book-Entry System

We issued the notes of each series in the form of one or more fully registered global securities. We deposited these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream Banking S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is partially owned by some of these participants or their representatives. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission.

Clearstream and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the date of the prospectus supplement, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear system, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross- market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported, to the relevant Euroclear Participant or Clearstream Participant during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

Same-Day Settlement and Payment

Initial settlement for the notes was made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

b. Prospectus Supplement (May 2, 2012) – 2.850% Notes due 2022

Description of the Notes

General

We issued the 2.850% Notes due 2022 pursuant to an indenture, dated April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital plc, as issuer, and Law Debenture Trust Company of New York, the trustee for the notes (as successor to Citibank, N.A., pursuant to an Instrument of Resignation, Appointment and Acceptance dated January 7, 2008 among GSK Capital plc, GlaxoSmithKline plc, Law Debenture Trust Company of New York and Citibank, N.A.) (for purposes of this description of the 2.850% Notes due 2022 only, the "indenture"). The 2.850% Notes due 2022 are a series of our debt securities. References in this "Description of the Notes" to the "notes" refer to the 2.850% Notes due 2022. GSK Capital plc issued the notes in the aggregate principal amount of $2,000,000,000. The notes will mature on May 8, 2022. GSK Capital plc issued the notes only in book-entry form, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The notes bear interest at the applicable interest rate shown in the table above and accrue interest from May 9, 2012, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest is payable on the notes twice a year, on May 8 and November 8, commencing November 8, 2012, to the person in whose name a note is registered at the close of business on the April 23 or October 23 that precedes the date on which interest will be paid. Interest on the notes is paid on the basis of a 360-day year consisting of twelve 30-day months. "Business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or London, England are authorized or obligated by law, regulation or executive order to be closed.

If an interest payment date or redemption date, or the maturity date, for the notes, as the case may be, would fall on a day that is not a business day, then the interest payment date or redemption date, or the maturity date, as the case may be, will be postponed to the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

The notes are fully and unconditionally guaranteed by GlaxoSmithKline plc. If, for any reason, GSK Capital plc does not make any required payment in respect of the notes when due, whether on the normal due date, on acceleration, redemption or otherwise, GlaxoSmithKline plc will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantee of GlaxoSmithKline plc without taking any action whatsoever against us.

Covenants

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any U.K. or U.S. withholding tax from any payment made on the notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no such taxes had been applicable. See "Description of Debt Securities—Covenants—Payment of Additional Amounts" below.

As contemplated by the last paragraph under "Description of Debt Securities—Defeasance" below, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the indenture with respect to the notes. In addition, we may omit to comply with certain covenants through covenant defeasance. We refer you to the information under "Description of Debt Securities—Defeasance" below for more information on how we may do this.

Except as described in the "Description of Debt Securities" below, the indenture for the notes does not contain any covenants or other provisions designed to protect holders of the notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the notes, including, among other things, through the incurrence of additional indebtedness.

Optional Make-Whole Redemption

We may redeem the notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 0.150%, plus accrued and unpaid interest thereon to, but excluding, the date of redemption. Notwithstanding the foregoing, installments of interest on notes to be redeemed that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

"Comparable Treasury Issue" means the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the quotation agent for the notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation.

"Quotation agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which the notes are listed. On and after any redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by lot by The Depository Trust Company ("DTC"), in the case of notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of notes that are not represented by a global security.

Further Issuances

We initially offered the notes in the aggregate principal amount of $2,000,000,000. We may from time to time, without the consent of the holders of a series of notes, create and issue further notes of the same series having the same terms and conditions in all respects as the applicable notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. We will not issue any further notes unless such further notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes. Additional notes issued in this manner will be consolidated with and will form a single series with the notes being offered hereby.

Book-Entry System

We issued the notes of each series in the form of one or more fully registered global securities. We deposited these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream Banking S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is partially owned by some of these participants or their representatives. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission.

Clearstream and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the date of the prospectus supplement, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear Participant or Clearstream Participant during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

Same-Day Settlement and Payment

Initial settlement for the notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

c. Base Prospectus – March 4, 2011

Description of Debt Securities

General

As used in this "Description of Debt Securities," "debt securities" means the debentures, notes, bonds, guarantees and other evidences of indebtedness that GSK issues or that GSK Capital Inc. or GSK Capital plc (the "finance subsidiaries") issues and GSK fully and unconditionally guarantees and, in each case, the trustee authenticates and delivers under the applicable indenture. The debt securities will be our direct unsecured obligations and will rank equally and ratably without preference among themselves and at least equally with all of our other unsecured and unsubordinated indebtedness.

The debt securities will be issued in one or more series under an indenture between GSK and Law Debenture Trust Company of New York, as trustee, or under indentures among the finance subsidiaries, Law Debenture Trust Company of New York, as trustee (as successor to Citibank, N.A., pursuant to Instruments of Resignation, Appointment and Acceptance among the finance subsidiaries, the guarantor, Law Debenture Trust Company of New York and Citibank, N.A.), and GSK, as guarantor. The indentures applicable to GSK, GSK Capital Inc. and GSK Capital plc will each be qualified under the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act. In the following discussion, we sometimes refer to these indentures collectively as the "indentures."

This "Description of Debt Securities" briefly outlines the provisions of the indentures and is qualified in its entirety by reference to the indentures. The terms of the indentures will include both those stated in the indentures and those made part of the indentures by the Trust Indenture Act. The forms of the indentures have been filed as exhibits to the registration statement of which the base prospectus forms a part, and you should read the indentures for provisions that may be important to you.

The indentures do not contain any covenants or other provisions designed to protect holders of the debt securities against a reduction in the creditworthiness of GSK or the finance subsidiaries in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the debt securities.

Issuances in Series

The indentures do not limit the amount of debt securities that may be issued. The debt securities may be issued in one or more series with the same or various maturities, at a price of 100% of their principal amount or at a premium or a discount. Not all debt securities of any one series need be issued at the same time, and, unless otherwise provided, any series may be reopened, without the consents of the holders of debt securities of that series, for issuances of additional debt securities of that series. Except in the limited circumstances described below under "— Covenants — Limitation on Liens," the debt securities will not be secured by any property or assets of GSK, as issuer or guarantor, or the finance subsidiaries.

The terms of any authorized series of debt securities will be described in a prospectus supplement. These terms will include some or all of the following:

- the title, aggregate principal amount and denominations of the debt securities;

- the date or dates on which principal will be payable;
- the percentage of the principal amount at which the debt securities will be issued and whether the debt securities will be "original issue discount" securities for U.S. federal income tax purposes. If original issue discount debt securities are issued (generally, securities that are issued at a substantial discount below their principal amount), the special U.S. federal income tax and other considerations of a purchase of original issue discount debt securities will be described;
- the rate or rates, which may be fixed or variable, at which the debt securities will bear interest;
- the interest payment dates;
- any optional or mandatory redemption terms;
- whether any sinking fund is required;
- the currency in which the debt securities will be denominated or principal, premium or interest will be payable, if other than U.S. dollars;
- whether the debt securities are to be issued as individual certificates to each holder or in the form of global certificates held by a depositary on behalf of beneficial owners;
- information describing any book-entry features;
- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for any series;
- the applicability of the defeasance and covenant defeasance provisions described herein, or any modifications of those provisions;
- any deletions from, modifications of or additions to the events of default or covenants with respect to the debt securities; and
- any other terms, conditions, rights or preferences of the debt securities.

Debt securities that have a maturity of less than one year from their date of issue and in respect of which the proceeds are to be received by us in the United Kingdom will have a minimum denomination of £100,000 (or its equivalent in another currency).

The prospectus supplement relating to any series of debt securities may add to or change statements contained in the base prospectus. The prospectus supplement may also include, if applicable, a discussion of certain U.S. federal income tax and U.K. income tax considerations.

GlaxoSmithKline Guarantees

Debt securities issued by the finance subsidiaries will be fully and unconditionally guaranteed by GSK. If for any reason the applicable finance subsidiary does not make any required payment in respect of its debt securities when due, whether on the normal due date, on acceleration, redemption or otherwise, GSK will cause the payment to be made to or to the order of the trustee. The holder of a guaranteed debt security will be entitled to payment under the applicable guarantee of GSK without taking any action whatsoever against the finance subsidiary.

Payment and Transfer

The debt securities will be issued only as registered securities, which means that the name of the holder will be entered in a register that will be kept by the trustee or another agent appointed by us. Unless stated otherwise in a prospectus supplement, and except as described under "— Book-Entry System" below, payments of principal, interest and additional amounts, if any, will be made at the office of the paying agent or agents named in the prospectus supplement or by check mailed to you at your address as it appears in the register.

Unless other procedures are described in a prospectus supplement and except as described under "— Book Entry System" below, you will be able to transfer registered debt securities at the office of the transfer agent or agents named in the prospectus supplement. You may also exchange registered debt securities at the office of the transfer agent for an equal aggregate principal amount of registered debt securities of the same series having the same maturity date, interest rate and other terms as long as the debt securities are issued in authorized denominations.

Neither we nor the trustee will impose any service charge for any transfer or exchange of a debt security; however, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of debt securities.

Book-Entry System

Debt securities may be issued under a book-entry system in the form of one or more global securities. The global securities will be registered in the name of a depositary or its nominee and deposited with that depositary or its custodian. Unless stated otherwise in the prospectus supplement, The Depository Trust Company, New York, New York, or DTC, will be the depositary if a depositary is used.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act;
- DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as through transfers and pledges, among its participants in such securities through electronic book-entry changes to accounts of its participants, thereby eliminating the need for physical movement of securities certificates;
- DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC;
- access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly; and
    - the DTC rules applicable to its participants are on file with the U.S. Securities and Exchange Commission.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Following the issuance of a global security in registered form, the depositary will credit the accounts of its participants with the debt securities upon our instructions. Only persons who hold directly or indirectly through financial institutions that are participants in the depositary can hold beneficial interests in the global securities. Since the laws of some jurisdictions require certain types of purchasers to take physical delivery of such securities in definitive form, you may encounter difficulties in your ability to own, transfer or pledge beneficial interests in a global security.

So long as the depositary or its nominee is the registered owner of a global security, we and the trustee will treat the depositary as the sole owner or holder of the debt securities for purposes of the applicable indenture. Therefore, except as set forth below, you will not be entitled to have debt securities registered in your name or to receive physical delivery of certificates representing the debt securities. Accordingly, you will have to rely on the procedures of the depositary and the participant in the depositary through whom you hold your beneficial interest in order to exercise any rights of a holder under the indenture. We understand that under existing practices, the depositary would act upon the instructions of a participant or authorize that participant to take any action that a holder is entitled to take.

We will make all payments of principal, interest and additional amounts, if any, on the debt securities to the depositary. It is expected that the depositary will then credit participants' accounts proportionately with these payments on the payment date and that the participants will in turn credit their customers' accounts in accordance with their customary practices. Neither we nor the trustee will be responsible for making any payments to participants or customers of participants or for maintaining any records relating to the holdings of participants and their customers, and you will have to rely on the procedures of the depositary and its participants.

Global securities are generally not transferable. Physical certificates will be issued to beneficial owners in lieu of a global security only in the special situations described in the sixth paragraph under the heading "Legal Ownership of Debt Securities — Global Securities" below.

Consolidation, Merger or Sale

We and the finance subsidiaries have agreed in the indentures not to consolidate with or merge with or into any other person or convey or transfer all or substantially all of our respective properties and assets to any person (except that the finance subsidiaries may merge into us), unless:

- we or the applicable finance subsidiary, as the case may be, are the continuing person, or the successor expressly assumes by supplemental indenture our obligations under the applicable indenture;
- the continuing person is a U.S. or U.K. company or is organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and, if it is not a U.S. or U.K. company, the continuing person agrees by supplemental indenture to be bound by a covenant comparable to that described below under "— Covenants — Payment of Additional Amounts" with respect to taxes imposed in the continuing person's jurisdiction of organization (in which case the continuing person will benefit from a redemption option comparable to that described below under
- "— Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the consolidation, merger or sale);
- immediately after the transaction, no default under the debt securities has occurred and is continuing; and
- we deliver to the trustee an officer's certificate and, if neither we nor the applicable subsidiary are the continuing person, an opinion of counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and the indenture.

Covenants

Payment of Additional Amounts

Payments made by us under or with respect to the debt securities will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the debt securities, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; *provided* that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the debt securities (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or the United States or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;
- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- payable other than by withholding from payments of principal of or interest on the debt securities;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent:
    - such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes; and

- at least 30 days before the first payment date with respect to which such additional amounts shall be payable, we have notified such recipient in writing that such recipient is required to comply with such requirement;
- that would not have been imposed but for the presentation of a debt security (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- that would not have been imposed if presentation for payment of the relevant debt securities had been made to a paying agent other than the paying agent to which the presentation was made; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or interest on any debt security to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of the debt security.

We have agreed in each indenture that at least one paying agent for each series of debt securities will be located outside the United Kingdom. We have also agreed that if we maintain a paying agent with respect to a particular series of debt securities in any member state of the European Union, we will maintain a paying agent in at least one member state (other than the United Kingdom) that will not be obliged to withhold or deduct taxes pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, provided there is at least one member state that does not require a paying agent to withhold or deduct pursuant to such Directive.

Our obligation to pay additional amounts if and when due will survive the termination of the indentures and the payment of all amounts in respect of the debt securities.

Limitation on Liens

We have agreed in the indentures not to incur or assume (or permit any of our subsidiaries to incur or assume) any lien on or with respect to any of our or our subsidiaries' property, assets or revenues, present or future, to secure any relevant indebtedness (as this term is defined below) without making (or causing our subsidiaries to make) effective provision for securing the debt securities equally and ratably with such relevant indebtedness as to such property, assets or revenues, for as long as such relevant indebtedness is so secured.

The restrictions on liens will not apply to:

- liens arising by operation of law;
- liens on property, assets or revenues of any person, which liens are existing at the time such person becomes a subsidiary; and
- liens on property, assets or revenues of a person existing at the time such person is merged with or into or consolidated with us or any of our subsidiaries or at the time of a sale, lease or other disposition to us of the properties of a person as an entirety or substantially as an entirety.

For purposes of the limitation on liens covenant, the term "relevant indebtedness" means any of our debt that:

- is in the form of or represented by bonds, notes, loan stock, depositary receipts or other securities issued (otherwise than to constitute or represent advances made by banks or other lending institutions);
- is denominated in, or confers any right of payment by reference to, any currency other than the currency of the country in which the issuer of the indebtedness has its principal place of business, or is denominated in or by reference to the currency of such country but more than 20% of which is placed or offered for subscription or sale by or on behalf of, or by agreement with, the issuer outside such country; and
- at its date of issue is, or is intended by the issuer to become, quoted, listed, traded or dealt in on any stock exchange, over-the-counter market or other securities market.

Additional Covenants

We may be subject to additional covenants, including restrictive covenants in respect of a particular series of debt securities. Such additional covenants will be set forth in the applicable prospectus supplement and, to the extent necessary, in the supplemental indenture or board resolution relating to that series of debt securities.

Optional Redemption for Tax Reasons

We may redeem any series of debt securities in whole but not in part at any time, on giving not less than 30 nor more than 60 days' notice of such redemption, at a redemption price equal to the principal amount plus accrued interest, if any, to the date fixed for redemption (except in the case of discounted debt securities, which may be redeemed at the redemption price specified by the terms of each series of such debt securities), if:

- we determine that, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the United Kingdom (or of any political subdivision or taxing authority thereof) or the United States (or of any political subdivision or taxing authority thereof), or any change in the application or official interpretation of such laws, regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which any such jurisdiction is a party, which change, execution or amendment becomes effective on or after the issue date or such other date specified in the debt securities of that series:
  - we would be required to pay additional amounts (as described under "— Covenants — Payment of Additional Amounts" above) with respect to that series of debt securities on the next succeeding interest payment date and the payment of such additional amounts cannot be avoided by the use of reasonable measures available to us; or
  - withholding tax has been or would be required to be withheld with respect to interest income received or receivable by the applicable finance subsidiary directly from the guarantor (or any affiliate) and such withholding tax obligation cannot be avoided by the use of reasonable measures available to the applicable finance subsidiary or the guarantor (or any affiliate); or
- we determine, based upon an opinion of independent counsel of recognized standing that, as a result of any action taken by any legislative body of, taxing authority of, or any action brought in a court of competent jurisdiction in, the United Kingdom (or any political subdivision or taxing authority thereof) or the United States (or any political subdivision or taxing authority thereof) (whether or not such action was taken or brought with respect to GSK, as issuer or guarantor, or the applicable finance subsidiary, as the case may be), which action is taken or brought on or after the issue date or such other date specified in the debt securities of that series, there is a substantial probability that the circumstances described above would exist; *provided*, *however*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay such additional amounts.

We will also pay to each holder, or make available for payment to each such holder, on the redemption date any additional amounts resulting from the payment of such redemption price. Prior to the publication of any notice of redemption, we will deliver to the trustee:

- an officer's certificate stating that we are entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred; or
- an opinion of counsel to the effect that the conditions specified above have been satisfied.

Any notice of redemption will be irrevocable once we deliver the officer's certificate to the trustee.

Events of Default

Unless otherwise specified in a prospectus supplement, an event of default with respect to a series of debt securities occurs upon:

- default in payment of the principal (or premium, if any) of any debt security of that series when due (including as a sinking fund installment), and, in the case of technical or administrative difficulties, the continuance of that default for more than two business days;
- default in payment of interest on, or any additional amounts payable in respect of, any debt security of that series when due and payable, and the continuance of that default for 30 days;
- default in performing any other covenant in the indenture applicable to that series for 60 days after the receipt of written notice specifying such default from the trustee or from the holders of 25% in principal amount of the debt securities of that series;

- default under any bond, debenture, note or other evidence of indebtedness for money borrowed of GSK or either finance subsidiary, as the case may be (not including any indebtedness for which recourse is limited to property purchased), having in any particular case an outstanding principal amount in excess of $25,000,000 (or its equivalent in any other currency) where any such failure results in such indebtedness being accelerated and becoming due and payable prior to its stated maturity and such acceleration shall not have been rescinded or annulled or such indebtedness shall not have been discharged;
- certain events of bankruptcy, insolvency or reorganization of GSK or either finance subsidiary, as the case may be;
- any other event of default provided with respect to that particular series of debt securities.

Any additional or different events of default applicable to a particular series of debt securities will be described in the prospectus supplement relating to such series.

An event of default with respect to a particular series of debt securities will not necessarily constitute an event of default with respect to any other series of debt securities.

The trustee may withhold notice to the holders of debt securities of any default (except in the payment of principal, premium or interest) if it, in good faith, considers such withholding of notice to be in the best interests of the holders. A default is any event which is an event of default described above or would be an event of default but for the giving of notice or the passage of time.

If an event of default occurs and continues, the trustee or the holders of the aggregate principal amount of the debt securities specified below may require us to repay immediately, or accelerate:

- the entire principal of the debt securities of such series; or
- if the debt securities are original issue discount securities, such portion of the principal as may be described in the applicable prospectus supplement.

If the event of default occurs because of a default in a payment of principal or interest on the debt securities of any series, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of that series can accelerate that series of debt securities. If the event of default occurs because of a failure to perform any other covenant in the applicable indenture or any covenant for the benefit of one or more, but not all, of the series of debt securities, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of all series affected, voting as one class, can accelerate all of the affected series of debt securities. If the event of default occurs because of bankruptcy proceedings, then all of the debt securities under the indenture will be accelerated automatically. Therefore, except in the case of a default on a payment of principal or interest on the debt securities of your series or a default due to our bankruptcy or insolvency, it is possible that you may not be able to accelerate the debt securities of your series because of the failure of holders of other series to take action.

The holders of a majority of the aggregate principal amount of the debt securities of all affected series, voting as one class, can rescind this accelerated payment requirement or waive any past default or event of default or allow noncompliance with any provision of the applicable indenture. However, they cannot waive a default in payment of principal of, premium, if any, or interest on any of the debt securities when due otherwise than as a result of acceleration.

After an event of default, the trustee must exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee is not obligated to exercise any of its rights or powers under the applicable indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide this reasonable indemnity, the holders of a majority in principal amount of all affected series of debt securities, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of debt securities. However, the trustee may refuse to follow any direction that conflicts with law or the indenture or is unduly prejudicial to the rights of other holders.

No holder will be entitled to pursue any remedy with respect to the indenture unless the trustee fails to act for 60 days after it is given:

- notice of default by that holder;
- a written request to enforce the indenture by the holders of not less than 25% in principal amount of all outstanding debt securities of any affected series; and
- an indemnity to the trustee, satisfactory to the trustee;

and during this 60-day period the holders of a majority in principal amount of all outstanding debt securities of such affected series do not give a direction to the trustee that is inconsistent with the enforcement request. These provisions will not prevent any holder of debt securities from enforcing payment of the principal of (and premium, if any) and interest on the debt securities at the relevant due dates.

If an event of default with respect to a series of debt securities occurs and is continuing, the trustee will mail to the holders of those debt securities a notice of the event of default within 90 days after it occurs. However, except in the case of a default in any payment in respect of a series of debt securities, the trustee shall be protected in withholding notice of an event of default if it determines in good faith that this is in the interests of the holders of the relevant debt securities.

Modification of the Indentures

In general, rights and obligations of us and the holders under the indentures may be modified if the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification consent to such modification. However, each of the indentures provides that, unless each affected holder agrees, an amendment cannot:

- make any adverse change to any payment term of a debt security such as extending the maturity date, extending the date on which we have to pay interest or make a sinking fund payment, reducing the interest rate, reducing the amount of principal we have to repay, changing the currency in which we have to make any payment of principal, premium or interest, modifying any redemption or repurchase right, or right to convert or exchange any debt security, to the detriment of the holder and impairing any right of a holder to bring suit for payment;
- waive any payment default;
- reduce the percentage of the aggregate principal amount of debt securities needed to make any amendment to the applicable indenture or to waive any covenant or default; or
- make any other change to the amendment provisions of the applicable indenture.

However, if we and the trustee agree, the applicable indenture may be amended without notifying any holders or seeking their consent if the amendment does not materially and adversely affect any holder. We and the trustee are permitted to make modifications and amendments to the applicable indenture without the consent of any holder of debt securities for any of the following purposes:

- to cure any ambiguity, defect or inconsistency in the indenture;
- to comply with sections of the indenture governing when we may merge and substitute obligors;
    - to comply with any requirements of the U.S. Securities and Exchange Commission in connection with the qualification of the indenture under the Trust Indenture Act;
- to evidence and provide for the acceptance by a successor trustee of appointment under the indenture with respect to the debt securities of any or all series;
- to establish the form or forms or terms of the debt securities of any series or of the coupons appertaining to such debt securities as permitted under the indenture;
- to provide for uncertificated debt securities and to make all appropriate changes for such purpose;
- to provide for a further guarantee from a third party on outstanding debt securities of any series and the debt securities of any series that may be issued under the indenture;
- to change or eliminate any provision of the indenture; provided that any such change or elimination will become effective only when there are no outstanding debt securities of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;
- to supplement any of the provisions of the indenture to such extent as will be necessary to permit or facilitate the defeasance and discharge of any series of debt securities pursuant to the indenture; provided that any such action will not adversely affect the interests of the holders of such or any other series of debt securities in any material respect; or
- to make any change that does not materially and adversely affect the rights of any holder of the debt securities.

Defeasance

The term defeasance means discharge from some or all of the obligations under the indentures. If we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the debt securities of a particular series, then at our option:

- we will be discharged from our respective obligations with respect to the debt securities of such series; or
- we will no longer be under any obligation to comply with the restrictive covenants, if any, contained in the applicable indenture and any supplemental indenture or board resolution with respect to the debt securities of such series, and the events of default relating to failures to comply with covenants will no longer apply to us.

If this happens, the holders of the debt securities of the affected series will not be entitled to the benefits of the applicable indenture except for registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities. Instead, the holders will only be able to rely on the deposited funds or obligations for payment.

We must deliver to the trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for U.S. federal income tax purposes. We may, in lieu of an opinion of counsel, deliver a ruling to such effect received from or published by the U.S. Internal Revenue Service.

Substitution of Issuer

We may at our option at any time, without the consent of any holders of debt securities, cause GSK or any other subsidiary of GSK to assume the obligations of the applicable finance subsidiary under any series of debt securities, *provided* that the new obligor executes a supplemental indenture in which it agrees to be bound by the terms of those debt securities and the relevant indenture. If the new obligor is not a U.S. or U.K. company, it must be organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and it must also agree in the supplemental indenture to be bound by a covenant comparable to that described above under "— Covenants — Payment of Additional Amounts" with respect to taxes imposed in its jurisdiction of organization (in which case the new obligor will benefit from a redemption option comparable to that described above under "— Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the substitution). In the case of such substitution, the applicable finance subsidiary will be relieved of any further obligation under the assumed series of debt securities.

For U.S. federal income tax purposes, a substitution of obligors as described above generally would be treated as a deemed taxable exchange of debt securities for new debt securities issued by the new obligor. As discussed further in the applicable prospectus supplement, a United States person who holds debt securities or owns a beneficial interest therein generally will recognize capital gain or loss in an amount equal to the difference between the issue price of the new debt securities and such person's adjusted tax basis in the debt securities. Such persons should consult their own tax advisors regarding the tax consequences of a deemed taxable exchange in the event of a substitution of obligors.

Information Concerning the Trustee

Law Debenture Trust Company of New York will be the trustee. The trustee will be required to perform only those duties that are specifically set forth in the indentures, except when a default has occurred and is continuing with respect to the debt securities. After a default, the trustee must exercise the same degree of care that a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee will be under no obligation to exercise any of the powers vested in it by the indentures at the request of any holder of debt securities unless the holder offers the trustee reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising those powers.

Governing Law

The debt securities, the related guarantees and the indentures will be governed by and construed in accordance with the laws of the State of New York.

Legal Ownership of Debt Securities

"Street Name" and Other Indirect Holders

We generally will not recognize investors who hold debt securities in accounts at banks or brokers as legal holders of those debt securities. Holding securities in accounts at banks or brokers is called holding in "street name."

If an investor holds debt securities in street name, we recognize only the bank or broker or the financial institution the bank or broker uses to hold the debt securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold debt securities in street name, you should check with your own institution to find out:

- how it handles payments and notices with respect to securities;
- whether it imposes fees or charges;
- how it would handle voting if ever required;
- how and when you should notify it to exercise on your behalf any rights or options that may exist under the debt securities;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Registered Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, extend only to persons who are registered as holders of debt securities. As noted above, we do not have obligations to you if you hold in street name or through other indirect means, either because you choose to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Securities

A global security is a special type of indirectly held security. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners of the debt securities will be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities represented by the global security not be registered in the name of any other holder except in the special situations described below. The financial institution that acts as the sole registered holder of the global security is called the depositary. Any person wishing to own a debt security may do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement will indicate whether your series of debt securities will be issued only as global securities.

Transfers of debt securities represented by the global security will be made only on the records of the depositary or its nominee by transferring such debt securities from the account of one broker, bank or financial institution to the account of another broker, bank or financial institution. These transfers are made electronically only and are also known as book- entry transfers. Securities in global form are sometimes also referred to as being in book-entry form.

As an indirect holder, your rights relating to a global security will be governed by the account rules of your broker, bank or financial institution and of the depositary, as well as general laws relating to securities transfers. We will not recognize you as a holder of debt securities and instead will deal only with the depositary that holds the global security.

You should be aware that if debt securities are issued only in the form of a global security:

- you cannot have debt securities registered in your own name;
- you cannot receive physical certificates for your interest in the debt securities;
- you will be a street name holder and must look to your own broker, bank or financial institution for payments on the debt securities and protection of your legal rights relating to the debt securities;
- you may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own securities in the form of physical certificates;
- the depositary’s policies will govern payments, transfers, exchanges and other matters relating to your indirect interest in the global security. We and the trustee will have no responsibility for any aspect of the depositary’s actions or for its records of ownership interests in the global security. We and the trustee also will not supervise the depositary in any way; and
- the depositary will require that indirect interests in the global security be purchased or sold within its system using same-day funds for settlement.

In a few special situations described below, the global security will terminate and the indirect interests in it will be exchanged for registered debt securities represented by physical certificates. After that exchange, the choice of whether to hold debt securities in registered form or in street name will be up to you. You must consult your broker, bank or financial institution to find out how to have your interests in debt securities transferred to your name, so that you will be a registered holder.

Unless we specify otherwise in the prospectus supplement, the special situations for termination of a global security are:

- when the depositary notifies us that it is unwilling or unable to continue as depositary and we do not or cannot appoint a successor depositary within 90 days;
- the depositary ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depositary within 90 days;
- an event of default has occurred and is continuing and beneficial owners representing a majority in principal amount of the applicable series of debt securities have advised the depositary to cease acting as the depositary; or
- we decide we do not want to have the debt securities of that series represented by a global security.

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depositary (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial registered holders.

The Term "Holder"

In the descriptions of the debt securities included herein, when we refer to the "holder" of a given debt security as being entitled to certain rights or payments, or being permitted to take certain actions, we are in all cases referring to the registered holder of the debt security.

While you would be the registered holder if you held a certificated security registered in your name, it is likely that the holder will actually be either the broker, bank or other financial institution where you have your street name account, or, in the case of a global security, the depositary. If you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a debt security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot exercise the option yourself by following the procedures described in the prospectus supplement. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the prospectus supplement relating to the debt security.

3. Notes offered pursuant to the Base Prospectus dated March 4, 2008

a. Prospectus Supplement (May 6, 2008) – 6.375% Notes due 2038

Description of the Notes

General

We issued the 6.375% Notes due 2038 pursuant to an indenture, dated April 6, 2004, among GlaxoSmithKline plc, as guarantor, GSK Capital Inc., as issuer, and Law Debenture Trust Company of New York, the trustee for the notes (as successor to Citibank, N.A., pursuant to an Instrument of Resignation, Appointment and Acceptance dated December 27, 2007 among GSK Capital Inc., GlaxoSmithKline plc, Law Debenture Trust Company of New York and Citibank, N.A.) (for purposes of this description of the 6.375% Notes due 2038 only, the "indenture"). References in this "Description of the Notes" to the "notes" refer to the 6.375% Notes due 2038. The notes are a series of our debt securities. GSK Capital Inc. issued the 2038 notes in the aggregate principal amount of $2,750,000,000. The 2038 notes will mature on May 15, 2038. GSK Capital Inc. issued the notes only in book-entry form, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The notes are fully and unconditionally guaranteed by GlaxoSmithKline plc. If, for any reason, GSK Capital Inc. does not make any required payment in respect of the notes when due, whether on the normal due date, on acceleration, redemption or otherwise, GlaxoSmithKline plc will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantee of GlaxoSmithKline plc without taking any action whatsoever against us.

Interest Payments

The notes bear interest at the applicable interest rate shown in the table above and accrued interest from May 13, 2008, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest is payable on the notes twice a year, on May 15 and November 15, commencing November 15, 2008, to the person in whose name a note is registered at the close of business on the May 1 or November 1 that precedes the date on which interest will be paid. Interest on the notes are paid on the basis of a 360-day year consisting of twelve 30-day months. "Business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or London, England are authorized or obligated by law, regulation or executive order to be closed.

If an interest payment date or redemption date, or the maturity date, for the notes, as the case may be, would fall on a day that is not a business day, then the interest payment date or redemption date, or the maturity date, as the case may be, will be postponed to the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

Covenants

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any U.K. or U.S. withholding tax from any payment made on the notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no such taxes had been applicable. See "Description of Debt Securities — Covenants — Payment of Additional Amounts" below.

As contemplated by the last paragraph under "Description of Debt Securities — Defeasance" below, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the indenture with respect to the notes. In addition, we may omit to comply with certain covenants through covenant defeasance. We refer you to the information under "Description of Debt Securities — Defeasance" below for more information on how we may do this.

Except as described herein, the indenture for the notes does not contain any covenants or other provisions designed to protect holders of the notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the notes, including, among other things, through the incurrence of additional indebtedness.

Optional Make-Whole Redemption

We may redeem the notes, in whole or in part, at our option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed on that redemption date; and (ii) as determined by the quotation agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 0.25%, plus accrued and unpaid interest thereon to, but excluding, the date of redemption. Notwithstanding the foregoing, installments of interest on notes to be redeemed that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

"Comparable Treasury Issue" means the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the quotation agent for the notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation. "Quotation agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Lehman Brothers Inc. (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which the notes are listed. On and after any redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by lot by The Depository Trust Company ("DTC"), in the case of notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of notes that are not represented by a global security.

Further Issuances

We initially offered the notes in the aggregate principal amount of $2,750,000,000. We may from time to time, without the consent of the holders of a series of notes, create and issue further notes of the same series having the same terms and conditions in all respects as the applicable notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. We will not issue any further notes unless such further notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes. Additional notes issued in this manner will be consolidated with and will form a single series with the notes being offered hereby.

Book-Entry System

We issued the notes of each series in the form of one or more fully registered global securities. We deposited these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream Banking S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission.

Clearstream and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the date of the prospectus supplement, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the

established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear Participant or Clearstream Participant during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

Same-Day Settlement and Payment

Initial settlement for the notes was made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

b. Base Prospectus – March 4, 2008

Description of Debt Securities

General

As used in this "Description of Debt Securities," "debt securities" means the debentures, notes, bonds, guarantees and other evidences of indebtedness that GSK issues or that GSK Capital Inc. or GSK Capital plc (the "finance subsidiaries") issues and GSK fully and unconditionally guarantees and, in each case, the trustee authenticates and delivers under the applicable indenture. The debt securities will be our direct unsecured obligations and will rank equally and ratably without preference among themselves and at least equally with all of our other unsecured and unsubordinated indebtedness.

The debt securities will be issued in one or more series under an indenture between GSK and Law Debenture Trust Company of New York, as trustee, or under indentures among the finance subsidiaries, Law Debenture Trust Company of New York, as trustee (as successor to Citibank, N.A., pursuant to Instruments of Resignation, Appointment and Acceptance among the finance subsidiaries, the guarantor, Law Debenture Trust Company of New York and Citibank, N.A.), and GSK, as guarantor. The indentures applicable to GSK, GSK Capital Inc. and GSK Capital plc will each be qualified under the Trust Indenture Act of 1939, as amended. In the following discussion, we sometimes refer to these indentures collectively as the "indentures."

This "Description of Debt Securities" briefly outlines the provisions of the indentures. The terms of the indentures will include both those stated in the indentures and those made part of the indentures by the Trust Indenture Act. The forms of the indentures have been filed as exhibits to the registration statement of which this "Description of Debt Securities" forms a part, and you should read the indentures for provisions that may be important to you.

The indentures do not contain any covenants or other provisions designed to protect holders of the debt securities against a reduction in the creditworthiness of GSK or the finance subsidiaries in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the debt securities.

Issuances in Series

The indentures do not limit the amount of debt securities that may be issued. The debt securities may be issued in one or more series with the same or various maturities, at a price of 100% of their principal amount or at a premium or a discount. Not all debt securities of any one series need be issued at the same time, and, unless otherwise provided, any series may be reopened, without the consents of the holders of debt securities of that series, for issuances of additional debt securities of that series. Except in the limited circumstances described below under "— Covenants — Limitation on Liens," the debt securities will not be secured by any property or assets of GSK, as issuer or guarantor, or the finance subsidiaries.

The terms of any authorized series of debt securities will be described in a prospectus supplement.

These terms will include some or all of the following:

- the title, aggregate principal amount and denominations of the debt securities;
- the date or dates on which principal will be payable;
- the percentage of the principal amount at which the debt securities will be issued and whether the debt securities will be "original issue discount" securities for U.S. federal income tax purposes. If original issue discount debt securities are issued (generally, securities that are issued at a substantial discount below their principal amount), the special U.S. federal income tax and other considerations of a purchase of original issue discount debt securities will be described;
- the rate or rates, which may be fixed or variable, at which the debt securities will bear interest;
- the interest payment dates;
- any optional or mandatory redemption terms;
- whether any sinking fund is required;
- the currency in which the debt securities will be denominated or principal, premium or interest will be payable, if other than U.S. dollars;
- whether the debt securities are to be issued as individual certificates to each holder or in the form of global certificates held by a depositary on behalf of beneficial owners;
- information describing any book-entry features;
- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for any series;
- the applicability of the defeasance and covenant defeasance provisions described herein, or any modifications of those provisions;
- any deletions from, modifications of or additions to the events of default or covenants with respect to the debt securities; and
- any other terms, conditions, rights or preferences of the debt securities.

Debt securities that have a maturity of less than one year from their date of issue and in respect of which the proceeds are to be received by us in the United Kingdom will have a minimum denomination of £100,000 (or its equivalent in another currency).

The prospectus supplement relating to any series of debt securities may add to or change statements contained in the base prospectus. The prospectus supplement may also include, if applicable, a discussion of certain U.S. federal income tax and U.K. income tax considerations.

GlaxoSmithKline Guarantees

Debt securities issued by the finance subsidiaries will be fully and unconditionally guaranteed by GSK. If for any reason the applicable finance subsidiary does not make any required payment in respect of its debt securities when due, whether on the normal due date, on acceleration, redemption or otherwise, GSK will cause the payment to be made to or to the order of the trustee. The holder of a guaranteed debt security will be entitled to payment under the applicable guarantee of GSK without taking any action whatsoever against the finance subsidiary.

Payment and Transfer

The debt securities will be issued only as registered securities, which means that the name of the holder will be entered in a register that will be kept by the trustee or another agent appointed by us. Unless stated otherwise in a prospectus supplement, and except as described under "— Book-Entry System" below, payments of principal, interest and additional amounts, if any, will be made at the office of the paying agent or agents named in the prospectus supplement or by check mailed to you at your address as it appears in the register.

Unless other procedures are described in a prospectus supplement and except as described under "— Book Entry System" below, you will be able to transfer registered debt securities at the office of the transfer agent or agents named in the prospectus supplement. You may also exchange registered debt securities at the office of the transfer agent for an equal aggregate principal amount of registered debt securities of the same series having the same maturity date, interest rate and other terms as long as the debt securities are issued in authorized denominations.

Neither we nor the trustee will impose any service charge for any transfer or exchange of a debt security; however, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of debt securities.

Book-Entry System

Debt securities may be issued under a book-entry system in the form of one or more global securities. The global securities will be registered in the name of a depositary or its nominee and deposited with that depositary or its custodian. Unless stated otherwise in the prospectus supplement, The Depository Trust Company, New York, New York, or DTC, will be the depositary if a depositary is used.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act;
- DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as through transfers and pledges, among its participants in such securities through electronic book-entry changes to accounts of its participants, thereby eliminating the need for physical movement of securities certificates;
- DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC; and
- access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Following the issuance of a global security in registered form, the depositary will credit the accounts of its participants with the debt securities upon our instructions. Only persons who hold directly or indirectly through financial institutions that are participants in the depositary can hold beneficial interests in the global securities. Since the laws of some jurisdictions require certain types of purchasers to take physical delivery of such securities in definitive form, you may encounter difficulties in your ability to own, transfer or pledge beneficial interests in a global security.

So long as the depositary or its nominee is the registered owner of a global security, we and the trustee will treat the depositary as the sole owner or holder of the debt securities for purposes of the applicable indenture. Therefore, except as set forth below, you will not be entitled to have debt securities registered in your name or to receive physical delivery of certificates representing the debt securities. Accordingly, you will have to rely on the procedures of the depositary and the participant in the depositary through whom you hold your beneficial interest in order to exercise any rights of a holder under the indenture. We understand that under existing practices, the depositary would act upon the instructions of a participant or authorize that participant to take any action that a holder is entitled to take.

We will make all payments of principal, interest and additional amounts, if any, on the debt securities to the depositary. It is expected that the depositary will then credit participants' accounts proportionately with these payments on the payment date and that the participants will in turn credit their customers' accounts in accordance with their customary practices. Neither we nor the trustee will be responsible for making any payments to participants or customers of participants or for maintaining any records relating to the holdings of participants and their customers, and you will have to rely on the procedures of the depositary and its participants.

Global securities are generally not transferable. Physical certificates will be issued to beneficial owners in lieu of a global security only in the special situations described in the sixth paragraph under the heading "Legal Ownership of Debt Securities — Global Securities" below.

Consolidation, Merger or Sale

We and the finance subsidiaries have agreed in the indentures not to consolidate with or merge with or into any other person or convey or transfer all or substantially all of our respective properties and assets to any person (except that the finance subsidiaries may merge into us), unless:

- we or the applicable finance subsidiary, as the case may be, are the continuing person, or the successor expressly assumes by supplemental indenture our obligations under the applicable indenture;
- the continuing person is a U.S. or U.K. company or is organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and, if it is not a U.S. or U.K. company, the continuing person agrees by supplemental indenture to be bound by a covenant comparable to that described below under "— Covenants — Payment of Additional Amounts" with respect to taxes imposed in the continuing person's jurisdiction of organization (in which case the continuing person will benefit from a redemption option comparable to that described below under "— Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the consolidation, merger or sale);
- immediately after the transaction, no default under the debt securities has occurred and is continuing; and
- we deliver to the trustee an officer's certificate and, if neither we nor the applicable subsidiary are the continuing person, an opinion of counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and the indenture.

Covenants

Payment of Additional Amounts

Payments made by us under or with respect to the debt securities will be free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of any nature whatsoever imposed or levied by or on behalf of (i) the government of the United Kingdom or of any territory of the United Kingdom or by any authority or agency therein or thereof having the power to tax or (ii) the government of the United States or any state or territory of the United States or by any authority or agency therein or thereof having the power to tax, which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the debt securities, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; *provided* that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the debt securities (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the United Kingdom or the United States or any political subdivision or territory or possession thereof or therein or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- payable other than by withholding from payments of principal of or interest on the debt securities;
- that would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent:
  - such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes; and
  - at least 30 days before the first payment date with respect to which such additional amounts shall be payable, we have notified such recipient in writing that such recipient is required to comply with such requirement;
- that would not have been imposed but for the presentation of a debt security (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- that would not have been imposed if presentation for payment of the relevant debt securities had been made to a paying agent other than the paying agent to which the presentation was made; or
- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or interest on any debt security to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of the debt security.

We have agreed in each indenture that at least one paying agent for each series of debt securities will be located outside the United Kingdom. We have also agreed that if we maintain a paying agent with respect to a particular series of debt securities in any member state of the European Union, we will maintain a paying agent in at least one member state (other than the United Kingdom) that will not be obliged to withhold or deduct taxes pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, provided there is at least one member state that does not require a paying agent to withhold or deduct pursuant to such Directive.

Our obligation to pay additional amounts if and when due will survive the termination of the indentures and the payment of all amounts in respect of the debt securities.

Limitation on Liens

We have agreed in the indentures not to incur or assume (or permit any of our subsidiaries to incur or assume) any lien on or with respect to any of our or our subsidiaries' property, assets or revenues, present or future, to secure any relevant indebtedness (as this term is defined below) without making (or causing our subsidiaries to make) effective provision for securing the debt securities equally and ratably with such relevant indebtedness as to such property, assets or revenues, for as long as such relevant indebtedness is so secured.

The restrictions on liens will not apply to:

- liens arising by operation of law;
- liens on property, assets or revenues of any person, which liens are existing at the time such person becomes a subsidiary; and

- liens on property, assets or revenues of a person existing at the time such person is merged with or into or consolidated with us or any of our subsidiaries or at the time of a sale, lease or other disposition to us of the properties of a person as an entirety or substantially as an entirety.

For purposes of the limitation on liens covenant, the term "relevant indebtedness" means any of our debt that:

- is in the form of or represented by bonds, notes, loan stock, depositary receipts or other securities issued (otherwise than to constitute or represent advances made by banks or other lending institutions);
- is denominated in, or confers any right of payment by reference to, any currency other than the currency of the country in which the issuer of the indebtedness has its principal place of business, or is denominated in or by reference to the currency of such country but more than 20% of which is placed or offered for subscription or sale by or on behalf of, or by agreement with, the issuer outside such country; and
- at its date of issue is, or is intended by the issuer to become, quoted, listed, traded or dealt in on any stock exchange, over-the-counter market or other securities market.

Additional Covenants

We may be subject to additional covenants, including restrictive covenants in respect of a particular series of debt securities. Such additional covenants will be set forth in the applicable prospectus supplement and, to the extent necessary, in the supplemental indenture or board resolution relating to that series of debt securities.

Optional Redemption for Tax Reasons

We may redeem any series of debt securities in whole but not in part at any time, on giving not less than 30 nor more than 60 days' notice of such redemption, at a redemption price equal to the principal amount plus accrued interest, if any, to the date fixed for redemption (except in the case of discounted debt securities, which may be redeemed at the redemption price specified by the terms of each series of such debt securities), if:

- we determine that, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the United Kingdom (or of any political subdivision or taxing authority thereof) or the United States (or of any political subdivision or taxing authority thereof), or any change in the application or official interpretation of such laws, regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which any such jurisdiction is a party, which change, execution or amendment becomes effective on or after the issue date or such other date specified in the debt securities of that series:
  - we would be required to pay additional amounts (as described under "— Covenants — Payment of Additional Amounts" above) with respect to that series of debt securities on the next succeeding interest payment date and the payment of such additional amounts cannot be avoided by the use of reasonable measures available to us; or
  - withholding tax has been or would be required to be withheld with respect to interest income received or receivable by the applicable finance subsidiary directly from the guarantor (or any affiliate) and such withholding tax obligation cannot be avoided by the use of reasonable measures available to the applicable finance subsidiary or the guarantor (or any affiliate); or
- we determine, based upon an opinion of independent counsel of recognized standing that, as a result of any action taken by any legislative body of, taxing authority of, or any action brought in a court of competent jurisdiction in, the United Kingdom (or any political subdivision or taxing authority thereof) or the United States (or any political subdivision or taxing authority thereof) (whether or not such action was taken or brought with respect to GSK, as issuer or guarantor, or the applicable finance subsidiary, as the case may be), which action is taken or brought on or after the issue date or such other date specified in the debt securities of that series, there is a substantial probability that the circumstances described above would exist; *provided*, *however*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay such additional amounts.

We will also pay to each holder, or make available for payment to each such holder, on the redemption date any additional amounts resulting from the payment of such redemption price. Prior to the publication of any notice of redemption, we will deliver to the trustee:

- an officer's certificate stating that we are entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred; or

- an opinion of counsel to the effect that the conditions specified above have been satisfied.

Any notice of redemption will be irrevocable once we deliver the officer's certificate to the trustee.

Events of Default

Unless otherwise specified in a prospectus supplement, an event of default with respect to a series of debt securities occurs upon:

- default in payment of the principal (or premium, if any) of any debt security of that series when due (including as a sinking fund installment), and, in the case of technical or administrative difficulties, the continuance of that default for more than two business days;
- default in payment of interest on, or any additional amounts payable in respect of, any debt security of that series when due and payable, and the continuance of that default for 30 days;
- default in performing any other covenant in the indenture applicable to that series for 60 days after the receipt of written notice from the trustee or from the holders of 25% in principal amount of the debt securities of that series;
- default under any bond, debenture, note or other evidence of indebtedness for money borrowed of GSK or either finance subsidiary, as the case may be (not including any indebtedness for which recourse is limited to property purchased), having in any particular case an outstanding principal amount in excess of $25,000,000 (or its equivalent in any other currency) where any such failure results in such indebtedness being accelerated and becoming due and payable prior to its stated maturity and such acceleration shall not have been rescinded or annulled or such indebtedness shall not have been discharged;
- certain events of bankruptcy, insolvency or reorganization of GSK or either finance subsidiary, as the case may be;
- any other event of default provided with respect to that particular series of debt securities.

Any additional or different events of default applicable to a particular series of debt securities will be described in the prospectus supplement relating to such series.

An event of default with respect to a particular series of debt securities will not necessarily constitute an event of default with respect to any other series of debt securities.

The trustee may withhold notice to the holders of debt securities of any default (except in the payment of principal, premium or interest) if it, in good faith, considers such withholding of notice to be in the best interests of the holders. A default is any event which is an event of default described above or would be an event of default but for the giving of notice or the passage of time.

If an event of default occurs and continues, the trustee or the holders of the aggregate principal amount of the debt securities specified below may require us to repay immediately, or accelerate:

- the entire principal of the debt securities of such series; or
- if the debt securities are original issue discount securities, such portion of the principal as may be described in the applicable prospectus supplement.

If the event of default occurs because of a default in a payment of principal or interest on the debt securities of any series, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of that series can accelerate that series of debt securities. If the event of default occurs because of a failure to perform any other covenant in the applicable indenture or any covenant for the benefit of one or more, but not all, of the series of debt securities, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of all series affected, voting as one class, can accelerate all of the affected series of debt securities. If the event of default occurs because of bankruptcy proceedings, then all of the debt securities under the indenture will be accelerated automatically. Therefore, except in the case of a default on a payment of principal or interest on the debt securities of your series or a default due to our bankruptcy or insolvency, it is possible that you may not be able to accelerate the debt securities of your series because of the failure of holders of other series to take action.

The holders of a majority of the aggregate principal amount of the debt securities of all affected series, voting as one class, can rescind this accelerated payment requirement or waive any past default or event of default or allow noncompliance with any provision of the applicable indenture. However, they cannot waive a default in payment of principal of, premium, if any, or interest on any of the debt securities when due otherwise than as a result of acceleration.

After an event of default, the trustee must exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee is not obligated to exercise any of its rights or powers under the applicable indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide this reasonable indemnity, the holders of a majority in principal amount of all affected series of debt securities, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of debt securities. However, the trustee may refuse to follow any direction that conflicts with law or the indenture or is unduly prejudicial to the rights of other holders.

No holder will be entitled to pursue any remedy with respect to the indenture unless the trustee fails to act for 60 days after it is given:

- notice of default by that holder;
- a written request to enforce the indenture by the holders of not less than 25% in principal amount of all outstanding debt securities of any affected series; and
- an indemnity to the trustee, satisfactory to the trustee;

and during this 60-day period the holders of a majority in principal amount of all outstanding debt securities of such affected series do not give a direction to the trustee that is inconsistent with the enforcement request. These provisions will not prevent any holder of debt securities from enforcing payment of the principal of (and premium, if any) and interest on the debt securities at the relevant due dates.

If an event of default with respect to a series of debt securities occurs and is continuing, the trustee will mail to the holders of those debt securities a notice of the event of default within 90 days after it occurs. However, except in the case of a default in any payment in respect of a series of debt securities, the trustee shall be protected in withholding notice of an event of default if it determines in good faith that this is in the interests of the holders of the relevant debt securities.

Modification of the Indentures

In general, rights and obligations of us and the holders under the indentures may be modified if the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification consent to such modification. However, each of the indentures provides that, unless each affected holder agrees, an amendment cannot:

- make any adverse change to any payment term of a debt security such as extending the maturity date, extending the date on which we have to pay interest or make a sinking fund payment, reducing the interest rate, reducing the amount of principal we have to repay, changing the currency in which we have to make any payment of principal, premium or interest, modifying any redemption or repurchase right, or right to convert or exchange any debt security, to the detriment of the holder and impairing any right of a holder to bring suit for payment;
- waive any payment default;
- reduce the percentage of the aggregate principal amount of debt securities needed to make any amendment to the applicable indenture or to waive any covenant or default; or
- make any other change to the amendment provisions of the applicable indenture.

However, if we and the trustee agree, the applicable indenture may be amended without notifying any holders or seeking their consent if the amendment does not materially and adversely affect any holder. We and the trustee are permitted to make modifications and amendments to the applicable indenture without the consent of any holder of debt securities for any of the following purposes:

- to cure any ambiguity, defect or inconsistency in the indenture;
- to comply with sections of the indenture governing when we may merge and substituted obligors;
    - to comply with any requirements of the U.S. Securities and Exchange Commission in connection with the qualification of the indenture under the Trust Indenture Act;

- to evidence and provide for the acceptance by a successor trustee of appointment under the indenture with respect to the debt securities of any or all series;
- to establish the form or forms or terms of the debt securities of any series or of the coupons appertaining to such debt securities as permitted under the indenture;
- to provide for uncertificated debt securities and to make all appropriate changes for such purpose;
- to provide for a further guarantee from a third party on outstanding debt securities of any series and the debt securities of any series that may be issued under the indenture;
- to change or eliminate any provision of the indenture; provided that any such change or elimination will become effective only when there are no outstanding debt securities of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;
- to supplement any of the provisions of the indenture to such extent as will be necessary to permit or facilitate the defeasance and discharge of any series of debt securities pursuant to the indenture; provided that any such action will not adversely affect the interests of the holders of such or any other series of debt securities in any material respect; or
- to make any change that does not materially and adversely affect the rights of any holder of the debt securities.

Defeasance

The term defeasance means discharge from some or all of the obligations under the indentures. If we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the debt securities of a particular series, then at our option:

- we will be discharged from our respective obligations with respect to the debt securities of such series; or
- we will no longer be under any obligation to comply with the restrictive covenants, if any, contained in the applicable indenture and any supplemental indenture or board resolution with respect to the debt securities of such series, and the events of default relating to failures to comply with covenants will no longer apply to us.

If this happens, the holders of the debt securities of the affected series will not be entitled to the benefits of the applicable indenture except for registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities. Instead, the holders will only be able to rely on the deposited funds or obligations for payment.

We must deliver to the trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for U.S. federal income tax purposes. We may, in lieu of an opinion of counsel, deliver a ruling to such effect received from or published by the U.S. Internal Revenue Service.

Substitution of Issuer

We may at our option at any time, without the consent of any holders of debt securities, cause GSK or any other subsidiary of GSK to assume the obligations of the applicable finance subsidiary under any series of debt securities, *provided* that the new obligor executes a supplemental indenture in which it agrees to be bound by the terms of those debt securities and the relevant indenture. If the new obligor is not a U.S. or U.K. company, it must be organized and validly existing under the laws of a jurisdiction that is a member country of the Organisation for Economic Cooperation and Development (or any successor) and it must also agree in the supplemental indenture to be bound by a covenant comparable to that described above under "— Covenants — Payment of Additional Amounts" with respect to taxes imposed in its jurisdiction of organization (in which case the new obligor will benefit from a redemption option comparable to that described above under "— Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the substitution). In the case of such a substitution, the applicable finance subsidiary will be relieved of any further obligation under the assumed series of debt securities.

For U.S. federal income tax purposes, a substitution of obligors as described above generally would be treated as a deemed taxable exchange of debt securities for new debt securities issued by the new obligor. As discussed further in the applicable prospectus supplement, a United States person who holds debt securities or owns a beneficial interest therein generally will recognize capital gain or loss in an amount equal to the difference between the issue price of the new debt securities and such person's adjusted tax basis in the debt securities. Such persons should consult their own tax advisors regarding the tax consequences of a deemed taxable exchange in the event of a substitution of obligors.

Information Concerning the Trustee

Law Debenture Trust Company of New York will be the trustee. The trustee will be required to perform only those duties that are specifically set forth in the indentures, except when a default has occurred and is continuing with respect to the debt securities. After a default, the trustee must exercise the same degree of care that a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee will be under no obligation to exercise any of the powers vested in it by the indentures at the request of any holder of debt securities unless the holder offers the trustee reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising those powers.

Governing Law

The debt securities, the related guarantees and the indentures will be governed by and construed in accordance with the laws of the State of New York.

Legal Ownership of Debt Securities

"Street Name" and Other Indirect Holders

We generally will not recognize investors who hold debt securities in accounts at banks or brokers as legal holders of those debt securities. Holding securities in accounts at banks or brokers is called holding in "street name." If an investor holds debt securities in street name, we recognize only the bank or broker or the financial institution the bank or broker uses to hold the debt securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold debt securities in street name, you should check with your own institution to find out:

- how it handles payments and notices with respect to securities;
- whether it imposes fees or charges;
- how it would handle voting if ever required;
- how and when you should notify it to exercise on your behalf any rights or options that may exist under the debt securities;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Registered Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, extend only to persons who are registered as holders of debt securities. As noted above, we do not have obligations to you if you hold in street name or through other indirect means, either because you choose to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Securities

A global security is a special type of indirectly held security. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners of the debt securities will be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities represented by the global security not be registered in the name of any other holder except in the special situations described below. The financial institution that acts as the sole registered holder of the global security is called the depositary. Any person wishing to own a debt security may do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement will indicate whether your series of debt securities will be issued only as global securities.

Transfers of debt securities represented by the global security will be made only on the records of the depositary or its nominee by transferring such debt securities from the account of one broker, bank or financial institution to the account of another broker, bank or financial institution. These transfers are made electronically only and are also known as book- entry transfers. Securities in global form are sometimes also referred to as being in book-entry form.

As an indirect holder, your rights relating to a global security will be governed by the account rules of your broker, bank or financial institution and of the depositary, as well as general laws relating to securities transfers. We will not recognize you as a holder of debt securities and instead will deal only with the depositary that holds the global security.

You should be aware that if debt securities are issued only in the form of a global security:

- you cannot have debt securities registered in your own name;
- you cannot receive physical certificates for your interest in the debt securities;
- you will be a street name holder and must look to your own broker, bank or financial institution for payments on the debt securities and protection of your legal rights relating to the debt securities;
- you may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own securities in the form of physical certificates;
- the depositary's policies will govern payments, transfers, exchanges and other matters relating to your indirect interest in the global security. We and the trustee will have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also will not supervise the depositary in any way; and
- the depositary will require that indirect interests in the global security be purchased or sold within its system using same-day funds for settlement.

In a few special situations described below, the global security will terminate and the indirect interests in it will be exchanged for registered debt securities represented by physical certificates. After that exchange, the choice of whether to hold debt securities in registered form or in street name will be up to you. You must consult your broker, bank or financial institution to find out how to have your interests in debt securities transferred to your name, so that you will be a registered holder.

Unless we specify otherwise in the prospectus supplement, the special situations for termination of a global security are:

- when the depositary notifies us that it is unwilling or unable to continue as depositary and we do not or cannot appoint a successor depositary within 90 days;
- the depositary ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depositary within 90 days;
- an event of default has occurred and is continuing and beneficial owners representing a majority in principal amount of the applicable series of debt securities have advised the depositary to cease acting as the depositary; or
- we decide we do not want to have the debt securities of that series represented by a global security.

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depositary (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial registered holders.

The Term "Holder"

In the descriptions of the debt securities included herein, when we refer to the "holder" of a given debt security as being entitled to certain rights or payments, or being permitted to take certain actions, we are in all cases referring to the registered holder of the debt security.

While you would be the registered holder if you held a certificated security registered in your name, it is likely that the holder will actually be either the broker, bank or other financial institution where you have your street name account, or, in the case of a global security, the depositary. If you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a debt security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot exercise the option yourself by following the procedures described in the prospectus supplement. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the prospectus supplement relating to the debt security.

Exhibit 4.4

Dated 16 December 2017

GLAXOSMITHKLINE LLC

and

HAL V. BARRON

SERVICE AGREEMENT

This Agreement is made on 16 December 2017 **between**:

(1) **GLAXOSMITHKLINE LLC** whose trading office is at Five Crescent Drive, Philadelphia, Pennsylvania 19112, USA (the "**Company**"); and

(2) **HAL V. BARRON** of (the "**Executive**").

1 Interpretation

1.1 In this Agreement (and any schedules to it)

"**Accrued Obligations**" means:

1.1.1 the Executive's base salary under this Agreement through to the end of the month in which the Termination Date occurs at the rate in effect on the Termination Date and the reimbursement (in accordance with Group policy) of any expenses incurred by the Executive prior to the Termination Date;

1.1.2 any unpaid bonus pertaining to the previous financial year and the product of any target bonus for the financial year in which the Termination Date occurs and a fraction, the numerator of which is the number of days in the Company's current financial year up to the Termination Date and the denominator of which is 365, paid as soon as practicable on or following the termination date;

1.1.3 any remuneration previously deferred by the Executive (together with any accrued interest) and not yet paid by the Company including payment for any accrued vacation not taken by the Executive, in each case paid in accordance with the applicable plan, policy or program of the Company; and

1.1.4 any other benefits to which the Executive is entitled, as determined in accordance with the applicable plans and policies of the Company;

"**Agreement**" means this employment agreement, which as of the date hereof supersedes and replaces any previous employment agreement between the Company and the Executive;

"**Board**" means the board of directors of the Company from time to time or any person or committee nominated by that board as its representative for the purposes of this Agreement;

"**Chief Executive Officer**" means the Chief Executive Officer of GSK plc from time to time;

"**Employment**" means the employment governed by this Agreement;

"**Group**" means the Company and any other Company controlling, controlled by or under the direct or indirect common control of the Company, including, without limitation, GSK plc and any of its subsidiaries from time to time;

"**Group Company**" means a member of the Group and "**Group Companies**" will be interpreted accordingly;

"GSK Board" means the board of directors of GSK plc from time to time or any person or committee nominated by the GSK Board as its representative for the purposes of this Agreement;

"**GSK plc**" means GlaxoSmithKline plc;

"**Termination Date**" means the date on which the Employment terminates pursuant to this Agreement.

1.2 References to any statutory provisions include any modifications or re-enactments of those provisions.

1.3 In this Agreement terms used in the context of the GlaxoSmithKline Performance Share Plan shall have the meaning ascribed to them in such plan.

2 Employment

The Company confirms the Employment of the Executive, and the Executive confirms his Employment with the Company, on the terms and conditions set out in this Agreement.

3 Termination by Notice

3.1 The Employment under the terms of this Agreement shall be deemed to have commenced on 1 January 2018, and the Employment shall continue until:

(i) the Employment is otherwise terminated in accordance with this Agreement; or

(ii) not less than 12 calendar months' notice in writing is given by the Company to the Executive; or

(iii) not less than 12 calendar months' notice in writing is given by the Executive to the Company; and, in any event,

(iv) at no point beyond 31 December 2024. In the event that this Agreement shall terminate pursuant to this Clause 3.1(iv), then the Executive shall thereafter be deemed an employee "at will" and shall be entitled only to payment of Accrued Obligations.

3.2 The Company may, in its absolute discretion, lawfully terminate the Employment of the Executive at any time, with immediate effect and without cause, by paying in aggregate to the Executive within 30 days of the date notice of termination is given to him a sum equal to his base salary (excluding any other benefits) for the period this Agreement would otherwise continue following such notice (not to exceed the maximum period of 12 months). For this purpose, salary shall be the base salary in effect at the date of termination of the Employment.

4 Duties and Responsibilities

4.1 The Executive shall be appointed as Chief Scientific Officer and President R&D. The Executive will be compensated at GSK grade 0. The Executive shall have such powers and duties as are from time to time given to him by the Chief Executive Officer or, if different, the person to whom the Executive reports, consistent with the Employment and this Agreement.

4.2 During the Employment, the Executive shall devote his full business time and energies to the business and affairs of the Company and GSK plc, consistent with any other duties and responsibilities he may have to any Group Companies. The Executive's time shall be allocated among the Group Companies in accordance with the Executive's reasonable judgment and dependent upon the level of his responsibilities to any other Group Company, subject to the overall supervision and direction of the Chief Executive Officer or, if different, the person to whom the Executive reports.

4.3 The Executive shall not, without the prior written consent of the GSK Board, accept directorships, trusteeships and other appointments (other than of Group Companies) or carry on or be engaged, concerned or interested either directly or indirectly in any other business or for profit activity. A list of the directorships and outside interests of the Executive approved by the GSK Board as at the date of this Agreement is attached as Appendix 1 to this Agreement. Any fees earned by the Executive in respect of such authorised activities may be retained by the Executive.

4.4 While the location of the Executive's activities shall be in or around San Francisco, CA subject to the overall supervision and direction of the Chief Executive Officer, in order to perform properly his duties, he will be required to undertake travel elsewhere in the world and in particular to the UK and Pennsylvania where the Company maintains its primary R&D centers. The Executive is required to reside at a location convenient to the Company's offices in or around San Francisco, CA (or such other location as the Company may determine) during the Employment.

5 Salary, etc.

5.1 In consideration of the services to be rendered by the Executive and the promises and covenants made by the Executive under this Agreement, specifically including Section 16, the Executive shall be paid a base salary at the rate of $1,700,000 per annum payable in accordance with the Company's pay practices for its executives from time to time in force (but not less frequently than calendar monthly). The salary will be credited to the Executive's bank account notified to the Company for the purpose or paid to Executive in check or cash or another manner compliant with applicable law. Salary shall be reviewed annually in accordance with the Company's normal administrative practices for its executives and may be increased (but not reduced) by the Company by such amount (if any) as it shall think fit.

5.2 The Executive shall be eligible, subject to Section 6.4, to participate:

(i) in all such cash bonus plans and programmes as are made available from time to time for executives of the Company generally of the same grade in the relevant jurisdiction in accordance with the Company's policy (or GSK plc's policy, as applicable); and

(ii) in respect of the salary provided by Section 5.1, in such incentive programmes as are made available from time to time for executives of the Company and/or GSK plc generally who are of the same grade in the relevant jurisdiction,

in each case, subject to the terms and conditions of such bonus plans and programmes from time to time in force. Any grant of share options or awards of performance shares under such plans and programmes shall be granted subject to performance conditions as determined by the GSK Board. The Executive's future participation in certain of these plans and programmes may be affected if the Executive does not satisfy the Share Ownership Requirements (as amended from time to time). It is agreed that in the event the Executive leaves the Company, the Executive will retain the relevant number of shares (as set out in the Share Ownership Requirements) until at least one year after the Termination Date. The Executive's salary under Section 5.1 of this Agreement shall be inclusive of any fees or other remuneration to which the Executive may be entitled or receives as a Director, alternate Director, specialist adviser, consultant or by virtue of any other office or appointment in any Group Company. The Executive shall account to the Company for all such fees or other remuneration by paying over or procuring to be paid over the same to the Company.

5.3 No Group Company shall be liable for any costs or expenses, including any costs or expenses pertaining to travel undertaken by the Executive, incurred as a result of any activity or participation in any role or capacity external to and unrelated to the Group. It is agreed that the Executive will promptly reimburse the Company against any such costs that may be incurred by the Group. Further, the Executive authorises the Company at any time to deduct from his salary, or any other monies payable to him by the Company, all sums which he owes the Company. If this is insufficient, the Company will require repayment of the balance.

6 Expenses and other Benefits

6.1 The Company shall promptly reimburse to the Executive all reasonable travel and other out of pocket expenses properly incurred by him in the performance of his duties under the Employment. The Executive will submit claims for expense reimbursement to the Company regularly with appropriate supporting documentation, and in accordance with the Company's policies in effect from time to time.

6.2 The medical benefit arrangements for the Executive and his family are as set out in the GlaxoSmithKline Executive Medical Plan (as amended from time to time). Details, including eligibility criteria, are set out in the *TotalReward* section on Connect GSK.

6.3 The Company at its expense shall provide the Executive with other benefits provided to executives of the Company of the same grade, and the Executive shall be eligible to participate in all benefit plans, practices and policies as are made available by the Company from time to time to its executives generally of the same grade subject to their terms and conditions from time to time in force. A list of all plans and programmes currently in operation is set out in Appendix 2. Details of the relevant plans and programmes are set out in the *TotalReward* section on Connect GSK.

6.4 The Company (and GSK plc, as applicable) reserves the absolute right and discretion to amend, modify or terminate all such benefits, plans and programmes as are referred to in Sections 5.2, 6.2, 6.3 and 8 at any time and for any reason.

7 Vacation

In addition to all Company Holidays, the Executive shall be entitled to 20 days' vacation in each year at full pay, which shall accrue rateably during the calendar year in accordance with Company policy as in effect from time to time, to be taken at such times as the business of the Company may permit. On termination of the Employment the Executive will be entitled to be paid for any accrued vacation not taken and will reimburse the Company for any vacation taken but not accrued in accordance with the terms of Company policy as in effect from time to time.

8 Pension and Life Insurance

The Executive shall be eligible to participate in the GlaxoSmithKline Cash Balance Pension Plan and any other retirement plans or deferred compensation programmes made available by the Company to its senior executives in the United States, including, without limitation, the GlaxoSmithKline Retirement Savings Plan and the GlaxoSmithKline Executive Supplemental Savings Plan, subject to the terms and conditions of such programmes from time to time in force. Details of such current plans and programmes are accessible from the intranet site "Connect GSK" and they are subject to amendment or withdrawal at the Company's discretion.

9 Illness and Leave of Absence

9.1 The Executive shall comply with the Company's leave of absence policies from time to time in force.

9.2 The Executive shall be eligible to participate in the Company's short-term and long-term disability plans or programmes in force from time to time.

9.3 If the Company has concerns about the Executive's ability to perform the essential functions of his role, the Company may require the Executive to have a medical examination every year (or at such shorter intervals as they may agree between them), by a doctor approved by the Company. The costs of such examinations shall be borne by the Company. The Executive agrees and understands that this provision is job related and consistent with business necessity of the Company.

10 Inventions and Copyright

The Company's Standard US Policy Requirements on Inventions, Copyright, and Confidentiality shall apply to the Executive. The Company's current policy language is attached as Appendix 3, which is incorporated by reference into this Agreement. The Executive expressly acknowledges and agrees to the terms, conditions, and promises contained in Appendix 3.

11 Confidentiality; Company Securities

Without prejudice to any other duty owed to the Company or to any Group Company, the Executive shall not, except in the proper performance of his duties or as authorised by the Board, during or after the Employment, use, retain, or disclose to any person any Confidential Information (defined below) obtained or created by him during the Employment.

11.1 In the course of the Employment, the Executive will obtain trade secrets and confidential information belonging to or relating to Group Companies and other persons. He will treat such information as if it falls within the terms of Section 11 and Section 11 will apply with any necessary amendments, to such information. If requested to do so by the Company, the Executive will enter into an agreement with other Group Companies and any other persons in the same terms as Section 11 with any amendments necessary to give effect to this provision.

11.2 For the purposes of this Agreement, the term "**Confidential Information**" shall include, but not be limited to confidential commercial, financial and strategic data pertaining to the Group and any other confidential information relating to the business or affairs of the Group including, without limitation, any invention, trade secret, manufacturing process or patent information. The term "Confidential Information" shall not include any information:

11.2.1 which is or becomes generally available to the public, or

11.2.2 which is acquired by the Executive apart from his association with the Group

other than, in each case, as a result of disclosure by the Executive or by any person to whom he has supplied information or by any person in breach of a duty of confidentiality. In addition, the term "Confidential Information" shall not include any information which the Executive is required to disclose by applicable law or regulation or by order of a court or governmental body of competent jurisdiction.

11.3 During the Employment, the Executive shall be bound, in respect of transactions in securities issued by any Group Company, by the Company's and GSK plc's policies from time to time in effect on employee securities dealing. In particular, the Executive shall advise the Company Secretary, Chief Financial Officer, Chief Executive Officer or Chairman of GSK plc before he or any member of his immediate family seeks to trade in such securities and shall be bound by any directions given by the Company Secretary, Chief Financial Officer, Chief Executive Officer or Chairman.

12 General Termination Provisions

12.1 On the termination of the Employment for whatever reason, or at any other time when requested to do so by the Company, the Executive, upon receipt of written request from the Company, shall promptly:

(i) deliver up to the Company any property belonging to the Company or any other Group Company which may be in his possession or under his control including Confidential Information, lists of customers, correspondence, documents and other property. The Executive will not retain any copies of any materials or other information. The Company shall promptly return to the Executive and permit him to remove from the premises of the Company and any other Group Company, any property, personal records, files, etc. belonging to the Executive; and

(ii) resign on request by the Company or the GSK Board (if he has not already done so) from all offices held by him in the Company and any other Group Company (except for any he is entitled to retain under any separate agreement with any Group Company), failing which the Executive irrevocably authorises the Company or GSK plc to appoint an officer of the Company or GSK plc to execute all documents on his behalf and do all things necessary to effect such resignations; PROVIDED, however, that any such resignations pursuant to this Section 12.1(ii) shall be without prejudice to the Executive's rights under this Agreement.

12.2 Any termination of the Employment shall be without prejudice to the Executive's and the Company's continuing obligations under this Agreement.

12.3 Upon the termination of the Executive's Employment for whatever reason, the Executive shall immediately repay all outstanding debts or loans due to the Company or any Group Company.

12.4 The terms of the US GSK Severance Pay Plan or any other severance policy as in force from time to time, shall not apply to the Executive.

13 Termination due to Death or Inability to Perform Essential Functions

13.1 In the event of the Executive's death the Employment will terminate automatically on the date of his death, which shall be the Termination Date for the purposes of this Agreement. His duly qualified executor shall be entitled to receive the Accrued Obligations.

13.2 The Company may elect to terminate the Employment immediately without advance notice or payment in lieu of notice by serving written notice, if an independent physician mutually agreeable to the Company and Executive has certified in writing that the Executive is unable to perform the essential functions of his role with or without reasonable accommodation and will not, to a reasonable degree of medical certainty, be able to resume performance of the essential functions of his duties with or without reasonable accommodations for the

foreseeable future. The Executive hereby acknowledges and agrees that this provision is job related and consistent with business necessity, and that it would be an undue hardship for the Company to maintain the Employment under such circumstances. The Employment will terminate on the Termination Date specified in the Termination Notice.

13.3 In the event the Company delivers a Termination Notice under 13.2, the Executive shall immediately be relieved from all offices, appointments and responsibilities that he may then hold under the Employment and be relieved of any duty to work for or serve the Company or any Group Company. The Executive hereby acknowledges and agrees that this provision is job related and consistent with business necessity, and that it would be an undue hardship for the Company to maintain any of the Executive's offices, appointments, or responsibilities under such circumstances. The Executive shall be entitled only to the Accrued Obligations, together with such rights as are provided for in the applicable benefits plan(s) in which the Executive participates.

14 Termination for Cause

14.1 The Company shall be entitled to terminate the Employment effective immediately without notice or payment in lieu of notice for Cause (as defined in this Section 14) by serving written notice ("**Notice of Termination for Cause**").

14.2 "**Cause**" shall mean:

14.2.1 the Executive is convicted of any criminal offense which in the reasonable opinion of the Chairman of GSK plc or the GSK Board affects the Executive's position as Chief Scientific Officer and President R&D (other than a motoring offence for which no custodial sentence is given to him); or

14.2.2 the Executive, in carrying out his duties under the Employment, is found to have engaged in significant misconduct (e.g., violation of regulation, law, or a significant GSK policy, such as the Code of Conduct) in the sole determination of the Company; or

14.2.3 the Executive shall become personally bankrupt or insolvent; or

14.2.4 the Executive shall be or become prohibited by law from being an employee, officer, or director; or

14.2.5 the Executive commits a material breach of any term of this Agreement.

14.3 Any delay or forbearance by the Company in exercising any right of termination shall not constitute a waiver of it.

14.4 In the event that the Employment is terminated for Cause, the Employment shall terminate upon the date on which the Board serves Notice of Termination for Cause and, except as otherwise required by applicable law, the Executive shall be paid only previously earned compensation , up to the date of termination including reimbursement for expenses previously incurred and, save for the provisions of this Section 14.4, the Executive will have no claim for further compensation including incentive compensation or damages or any other remedy against the Company or any Group Company.

15 Termination by Notice Requirements, Additional Detail

15.1 Subject to Sections 13 and 14 of this Agreement, the Employment under the terms of this Agreement shall terminate on the occurrence of either:

15.1.1 The election of the Company, upon not less than 12 months notice in writing by the Company to the Executive in accordance with Section 3.1(ii); or

15.1.2 The election of the Executive, upon not less than 12 months notice in writing by the Executive to the Company in accordance with Section 3.1(iii).

Notwithstanding any other provision of this Agreement to the contrary, if, following delivery of the notice as required under Section 3.1(ii) or 3.1 (iii), the Executive abandons his employment with the Company prior to expiration of the 12 month notice period, the Executive shall be entitled to receive only those payments set forth in Section 15.3 of this Agreement.

15.2 In the event the Employment terminates pursuant to Section 15.1.1, the Executive shall be entitled to receive the Accrued Obligations on or as soon as practicable following the Termination Date coinciding with the expiration of the 12 month notice period. Alternatively, the Company may, in its absolute discretion, lawfully terminate the Employment immediately upon delivery of the written notice set forth in Section 3.1(ii) and pay the Executive a cash payment equal to 100% of his annual base salary (as in effect immediately prior to the Termination Date), payable in a lump sum as soon as practicable on or following the Termination Date and any remuneration previously earned or deferred by the Executive (together with any accrued interest) and not yet paid by the Company.

15.3 In the event the Employment terminates pursuant to Section 15.1.2, or if the Executive abandons the Employment following delivery of the notice set forth in Section 3.1(ii) or 3.1(iii) but prior to expiration of the 12 month notice period, except as otherwise required by applicable law, the Executive shall be entitled only to payment of all previously earned or deferred compensation then due and owing under this Agreement, up to the Termination Date, any unpaid bonus pertaining to the previous financial year, and reimbursement for expenses previously incurred and, save for the provisions of this Section 15.3, the Executive will have no claim for damages or any other remedy against the Company or any Group Company. In the event the Executive abandons the Employment following delivery of the notice set forth in Section 3.1(ii) or 3.1(iii) but prior to the expiration of the 12 month notice period, the Company may terminate the Employment effectively immediately and bring forward the Termination Date and, in this event, the Company agrees not to pursue any claim for damages arising out of the Executive's abandonment of the remaining notice period, save for its rights to enforce any other Section or Appendix of this Agreement including, but not limited to, Sections 10, 11, 12, 16, and 27 and Appendix 3 and 4, which are unaffected. The amounts described in this Section 15.3 shall be paid as soon as practicable on or following the Termination Date.

16 Restrictions during and after Termination of Employment

16.1 In this Section:

"**Restricted Business**" means any existing or prospective lines of business, any division, any business unit, or any product or service of the Group with which the Executive worked, or which the Executive supported, during the last 12 months of the Employment.

"**Restricted Period**" means any period during which the Executive is employed by the Company and the period of 12 months commencing on the Termination Date. In the event the Employment is terminated by Notice under paragraphs 15.1 and 3.1(ii) or 3.1(iii), the 12 month period is reduced by any time period between the delivery of Notice and the Termination Date itself.

16.2 The Executive will acquire Confidential Information and personal knowledge of and influence over customers, clients and employees of the Company, GSK plc and its Group Companies during the course of the Employment. The improper disclosure or use of such information or knowledge by the Executive would cause the Group irreparable harm. To protect these interests, and prevent such harm, the Executive agrees with the Company and GSK plc that the Executive will be bound by the following covenants:

16.2.1 During the Employment, the Executive will not be employed by, affiliated with (except as the holder, directly or indirectly, of less than 5 per cent of the shares) work for, or render services similar to those which the Executive is involved during the Employment on behalf of, any firm or business organization that competes or is planning to compete with the Restricted Business, or render services to, or assist in any way, any competitor of the Group by working on or having any involvement with products or services that are similar to the Restricted Business.

16.2.2 During the Employment, the Executive will not canvass, solicit or induce any customer, client or vendor of the Company or any Group Company to become a customer, client or vendor of any other person, firm, or corporation other than the Group with respect to the Restricted Business. After the Executive's Employment with the Company, the Executive will not use Confidential Information to canvass, solicit or induce any customer, client or vendor of the Company or any Group Company to become a customer, client or vendor of any other person, firm, or corporation other than the Group with respect to the Restricted Business.

16.2.3 During the Restricted Period, the Executive will not interfere or endeavor to interfere with the continuance of the provision of goods or services to the Company, or any Group Company, by any supplier which was a supplier of goods or services to the Company, or any Group Company during the last 12 months of the Employment.

16.2.4 During the Restricted Period, the Executive will not solicit or attempt to solicit any officer, director, senior employee or senior consultant of the Group to leave the Group to join or perform services on behalf of any other person or entity.

16.3 Each of the obligations imposed on the Executive by this Section 16 extend to the Executive acting not only on his own account but also on behalf of any other firm, company or other person and shall apply whether the Executive acts directly or indirectly.

16.4 Following the Termination Date, the Executive will not represent himself as being in any way connected with the businesses of the Company, GSK plc or of any other Group Company (except to the extent agreed in writing by such a company).

16.5 Any benefit given or deemed to be given by the Executive to any Group Company under the terms of this Section 16 is received and held in trust by the Company for the relevant Group Company. The Executive will enter into appropriate restrictive covenants directly with other Group Companies if asked to do so by the Company or GSK plc.

17 Consideration and Reasonableness of Restrictions

17.1 The Executive acknowledges that the restrictions contained in Section 16 are supported by consideration in the form of compensation received by the Executive under this Agreement.

17.2 Each of the obligations on the Executive contained in Section 16 constitutes a separate and independent restriction on the Executive notwithstanding that they may be contained in the same Section, paragraph or sentence.

17.3 Should the restrictions contained in Section 16 be found to be void but would be valid if some part thereof were deleted or the period or radius of application reduced, then such restriction shall apply with such modification as may be necessary to make it valid and effective. In particular, the Executive agrees that the restrictions are reasonable and necessary for the protection of the Company and the Group Companies.

17.4 If the Executive shall, during the Restricted Period, receive from any person, firm or company, an offer to provide services in any capacity whatsoever, or to enter into employment where acceptance of such offer, or the taking of such employment, might render the Executive in breach of the provisions of this Agreement, the Executive shall promptly advise the offeror of the existence of the restrictions set forth in Section 16 of this Agreement.

17.5 The Executive acknowledges that the Company may have no adequate remedy at law and would be irreparably harmed if the Executive breaches or threatens to breach the provisions of Section 16 above and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of Section 16 above, and to specific performance of the terms of each such Section in addition to any other legal or equitable remedy it may have. The Executive further agrees that he shall not, in any equity proceedings involving the Executive relating to the enforcement of Section 16 above raise the defense that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have.

18 Severability

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

19 Successors and Assigns

19.1 This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case "**Company**", as used in this Agreement, shall mean such corporation or other entity. The foregoing shall not relieve the Company of any of its obligations under Section 15 of this Agreement. The rights of the Executive shall inure to the benefit of his heirs, executors, administrators and other personal representatives.

19.2 The Executive may not assign this Agreement or any part of it, or any rights thereunder or delegate any duties to be performed by him under it to anyone else.

20 Survivorship

To the extent contemplated by this Agreement, respective rights and obligations of the parties set out in this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

21 Notices

Any notice (including any notice of termination of the Employment) required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by courier, duly addressed to the party concerned at such address as the party may notify to the other. Any notice delivered personally under this Section 21 shall be deemed given on the date delivered and any notice sent by courier shall be deemed given on the date delivery is recorded by such courier.

22 Entire Agreement

22.1 This Agreement supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in it. It contains the whole agreement between the parties relating to the Employment at the date the agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that he has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

22.2 Neither party's rights or powers under this Agreement will be affected if:

22.2.1 one party delays in enforcing any provision of this Agreement; or

22.2.2 one party grants time to the other party.

23 Amendment or Modification; Waiver

No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorised officer of the Company who shall supply the Executive with evidence of such authority.

24 Withholding

Anything to the contrary notwithstanding, all payments required to be made by the Company under this Agreement to the Executive, or to his estate or beneficiaries, shall be subject to withholding of such amounts relating to taxes as the Company may be required to withhold pursuant to any applicable statute, law or regulation.

25 Indemnification and Insurance

26.1 The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit, proceeding or governmental or other investigation by reason of the fact of the Employment or that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another Group Company or entity except for any action instigated by the Company or the Executive (a "**Proceeding**"), he shall be indemnified by the Company to the fullest extent permitted by applicable law against all expenses, liabilities and losses reasonably incurred or suffered by the Executive in connection with such a Proceeding (including any tax payable by the Executive as a result of payments made by the Company pursuant to this indemnity),

including, without limitation, payment of expenses incurred in defending a Proceeding prior to the final disposition of such Proceeding; PROVIDED, however, that written notice of such Proceeding is given promptly to the Company by the Executive and the Company is permitted (where appropriate) to participate in and assume the defence of such Proceeding. The provisions of this Section 25 shall survive the termination of the Employment and shall be in addition to any other rights to indemnification to which the Executive may from time to time be entitled, whether under any applicable insurance policies or otherwise.

26.2 The Company will provide the Executive with Legal Expenses Insurance and Directors' and Officers' Liability Insurance under the Company's policy current from time to time in force subject to such cover being available at reasonable commercial rates.

26 Collective Agreements – Disciplinary Rules and Procedures

There are no collective agreements which directly affect the terms and conditions set out in this Agreement.

The Company's harassment and bullying policies, disciplinary rules and procedures and grievance procedures, as in force from time to time, shall apply to the Executive. The Company reserves the right to leave out any or all of the stages of those rules and procedures where it considers it appropriate to do so.

27 Executive Financial Recoupment Policy

The Company's standard policy on financial recoupment shall apply to the Executive. The current policy titled Executive Financial Recoupment Policy is attached as Appendix 4 and incorporated by reference herein.

28 Data Protection

The Executive consents to the Company or any Group Company holding and processing both electronically and manually the data it collects which relates to the Executive for the purpose of the administration and management of its employees and its business and for compliance with applicable procedures, laws and regulations. The Executive also consents to the transfer of such personal information to other offices the Company may have or to a Group Company or to other third parties whether or not outside the United States for administration purposes and other purposes in connection with the Executive's Employment where it is necessary or desirable for the Company to do so.

29 Section 409A

29.1 It is the intention of the parties to this Agreement that no payment or entitlement pursuant to this Agreement will give rise to any adverse tax consequences to the Executive under Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including that issued after the date hereof. The Agreement shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein to the contrary, the Company may take any action it deems necessary or desirable to amend any provision herein to avoid the application of or excise tax under Section 409A, after giving the Executive reasonable notice and opportunity to comment. Further, no effect shall be given to any provision herein in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A of the Code.

29.2 Any annual cash bonus that the Executive shall become entitled to receive hereunder for any calendar year shall be paid by the Company at such time and in such manner that annual bonuses are paid to other senior executives of the Company, but not later than the March 15 immediately following the end of the applicable calendar year; provided it shall not be a breach of this Agreement if payment is made later in the year to the extent the bonus is not determinable by March 15 and payment is made by payroll no later than December 31 of such year.

29.3 All payments to be made upon a termination of Employment under the Agreement will only be made upon a "separation from service" under Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of payment. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, the amounts payable under the Agreement to be made upon termination of Employment are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treas. Reg. §1.409A-1(b)(9)(iii). For purposes of the application of Treas. Reg. §1.409A-1(b)(4) (or any successor provision), each payment in a series of payments to the Executive will be deemed a separate payment.

29.4 Notwithstanding anything in this Agreement to the contrary, in the event that the Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, any payment under this Agreement that constitutes deferred compensation subject to 409A of the Code and would otherwise commence to be paid as a result of the Executive's "separation from service" (as defined in Section 409A of the Code and any Treasury Regulations promulgated thereunder), will not be made to the Executive before the lapse of six months after the date such payment would have been made but for this Section 29.4. Any payments that are postponed in accordance with this Section 29.4 shall be paid in a lump sum payment within 10 days after the end of the six month period. If the Executive dies during the postponement period prior to payment of the postponed amount, the amounts withheld on account of Section 409A of the Code shall be paid to the personal representative of the Executive's estate within 60 days after the date of Executive's death.

30 Governing Law

This Agreement shall be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of the Commonwealth of Pennsylvania. Each of the parties submits to the exclusive jurisdiction of the Commonwealth of Pennsylvania's courts as regards any claim or matter under this Agreement.

31 Titles

Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as a deed on the day and year first above written

GLAXOSMITHKLINE LLC

By: /s/ Dan Troy
Name: Daniel B Troy
Title: General Counsel and SVP
Date: December 8, 2017

HAL V. BARRON

/s/ Hal V. Barron
Date: 16 December 2017

Signed Sealed and Delivered by the
said Hal V. Barron in the presence of: } /s/ Carol Cunningham

Name: Carol Cunningham
Address:

Exhibit 4.8

EXECUTION VERSION

THIS AMENDMENT AGREEMENT (this "Agreement") is made and entered into as of the 31st day of July 2019 by and among Pfizer Inc., a Delaware corporation ("Seller Parent"), GlaxoSmithKline plc, a public limited liability company incorporated under the laws of England and Wales ("Purchaser Parent", and together with Seller Parent, the "Parents"), GlaxoSmithKline Consumer Healthcare Holdings Limited, a company incorporated under the laws of England and Wales ("Initial Purchaser"), and GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited, a company incorporated under the laws of England and Wales ("New Purchaser", and together with Seller Parent, Purchaser Parent and Initial Purchaser, the "Parties"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the SAPA (as defined below).

W I T N E S S E T H:

WHEREAS, in connection with the implementation of the Purchaser Internal Restructurings, and with the intent to contribute the Purchaser Business held by Initial Purchaser to New Purchaser, (a) Purchaser Parent caused Initial Purchaser to (i) on April 24, 2019, incorporate New Purchaser as a direct wholly owned Subsidiary of Initial Purchaser, (ii) on July 1, 2019, contribute, transfer and assign to New Purchaser (x) Initial Purchaser's equity interests in certain U.S. subsidiaries, (y) Initial Purchaser's minority interests in certain subsidiaries and (z) certain contracts entered into by Initial Purchaser, in exchange for shares in New Purchaser, as set forth in the Contribution Agreement by and between Initial Purchaser and New Purchaser, dated as of July 1, 2019, (iii) on June 14, 2019, incorporate GSK Consumer Healthcare Holdings No. 1 LLC ("New US LLC 1") and GSK Consumer Healthcare Holdings No. 2 LLC ("New US LLC 2" and, together with New US LLC 1, the "New US LLCs"), as direct, wholly owned Subsidiaries of Initial Purchaser, (iv) on July 2, 2019, contribute, transfer and assign to New US LLC 2, Initial Purchaser's equity interests in its non-U.S. and non-Panamanian subsidiaries in exchange for membership interests in New US LLC 2, (v) on July 2, 2019, contribute, transfer and assign to New US LLC 1 Initial Purchaser's equity interests in New US LLC 2 in exchange for membership interests in New US LLC 1, and (vi) on July 30, 2019, contribute, transfer and assign to New US LLC 2 four (4) debt instruments and one (1) promissory note with respect to certain assets and liabilities of the Purchaser Business in India and Argentina which are subject to the terms of the Global NEB Agreement (Purchaser Parent Delayed Markets); (b) certain equity interests in GSK Panama S.A., a corporation organized under the laws of Panama, forming part of the Purchaser Business held by Initial Purchaser, will be contributed to New Purchaser on the Closing Date in exchange for shares in New Purchaser; and (c) the New US LLCs will be contributed, directly or indirectly, to New Purchaser on the Closing Date (clauses (a) through (c), collectively, the "Purchaser Contribution");

WHEREAS, Seller Parent, Purchaser Parent and Initial Purchaser entered into that certain Stock and Asset Purchase Agreement dated as of December 19, 2018 (the "SAPA");

WHEREAS, Initial Purchaser wishes to transfer by novation to New Purchaser, and New Purchaser wishes to accept the transfer by novation of, all rights, title, interest, obligations, duties and Liabilities of Initial Purchaser under and in respect of the SAPA, on the terms set forth in this Agreement;

WHEREAS, Seller Parent and Purchaser Parent wish to release Initial Purchaser from its obligations under and in respect of the SAPA in exchange, *inter alia*, for New Purchaser's assumption of the same obligations, on the terms set forth in this Agreement; and

WHEREAS, Seller Parent, Purchaser Parent, Initial Purchaser and New Purchaser desire to amend the SAPA and agree to certain other arrangements, in each case as set forth in this Agreement.

Exhibits and schedules have been omitted pursuant to the Instructions as to Exhibits in Form 20-F and will be furnished on a supplemental basis to the Securities and Exchange Commission upon request.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. <u>New Purchaser</u>

(a) New Purchaser hereby agrees to perform under the terms of the SAPA, as amended by the terms of this Agreement.

(b) New Purchaser hereby assumes all obligations, duties and Liabilities, and is entitled to all rights, title and interest, under the SAPA, as amended by the terms of this Agreement, as if New Purchaser had at all times been the "Purchaser" party to the SAPA.

(c) Purchaser Parent hereby represents and warrants to Seller Parent, Initial Purchaser and New Purchaser that New Purchaser is ready, able, and willing to fully perform, assume and otherwise be responsible for, any and all obligations, duties and Liabilities under the SAPA, as amended by the terms of this Agreement.

(d) Purchaser Parent hereby represents and warrants to Seller Parent, Initial Purchaser and New Purchaser that New Purchaser was formed solely for the purpose of acquiring and holding the Purchaser Business (and, following the consummation of the transactions contemplated by the SAPA, the Business), and since the date of its formation, has not engaged in or carried on any other business, conducted any other operations, owned any assets other than the assets comprising the Purchaser Business, or incurred any Liabilities of any kind other than Purchaser Liabilities or Liabilities incident to the execution of this Agreement.

(e) In consideration of the foregoing novation and other valuable consideration, Initial Purchaser shall be released and discharged of all obligations to perform under the SAPA, and shall be fully relieved of liability to any other party to this Agreement arising out of the SAPA, in each case effective from and after the earlier of the completion of the Purchaser Contribution on the Closing Date or the effective time of the Closing pursuant to Section 3.1(a) of the SAPA. For clarity, prior to the earlier of the completion of the Purchaser Contribution or the effective time of the Closing pursuant to Section 3.1(a) of the SAPA, Initial Purchaser shall be fully responsible for any and all obligations, duties and Liabilities of Purchaser under the SAPA, including any such obligations, duties and Liabilities of Initial Purchaser prior to entering into this Agreement and any such obligations, duties and Liabilities of New Purchaser prior to the effectiveness of the release contemplated by this Agreement. For the avoidance of doubt, subject to the foregoing novation and the substitution of New Purchaser for Initial Purchaser as provided in this Agreement, nothing in this Agreement is intended to or shall relieve any Party of any Liability it may have under the SAPA for any breach of any provision thereof occurring prior to the execution of this Agreement.

(f) For the avoidance of doubt, effective from and after the earlier of the completion of the Purchaser Contribution on the Closing Date or the effective time of the Closing pursuant to Section 3.1(a) of the SAPA, all previous actions taken by Initial Purchaser in fulfillment of its obligations and duties under the SAPA shall be considered to have fulfilled those parts of Initial Purchaser's obligations and duties under the SAPA.

(g) The Parties hereby acknowledge and agree that any representation or warranty made by Purchaser Parent in Article V of the SAPA with respect to "Purchaser" (A) is made, as of the date of the SAPA, with respect to Initial Purchaser (and its Affiliates and Subsidiaries, as applicable), and not with respect to New Purchaser and (B) shall be true and correct, as of the Closing Date as though made on the Closing Date pursuant to Section 8.3(a) of the SAPA and for purposes of the certificate required to be delivered by Purchaser Parent to Seller Parent pursuant to Section 8.3(c) of the SAPA, with respect to New Purchaser (and its Affiliates and Subsidiaries, as applicable), and not with respect to Initial Purchaser.

(h) The Parties hereby acknowledge and agree that, for all purposes under the SAPA, as amended by the terms of this Agreement, references to "Purchaser" in the SAPA, as amended by the terms of this Agreement, shall be deemed to mean (i) prior to the effectiveness of this Agreement, Initial Purchaser, and (ii) after the effectiveness of this Agreement, New Purchaser.

(i) For the avoidance of doubt, for the purposes of Article VII of the SAPA, Initial Purchaser shall be deemed a "Purchaser Parent Indemnified Party" and New Purchaser shall be deemed a "Purchaser Indemnified Party" (and New Purchaser shall be deemed a "Purchaser Tax Indemnified Party" for purposes of the SAPA, and Initial Purchaser shall not be).

2. <u>Certain Representations and Warranties</u>

(a) Seller Parent hereby represents and warrants to Purchaser Parent, Initial Purchaser and New Purchaser that: it has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder; the execution and delivery by Seller Parent of this Agreement, and the performance by Seller Parent of its obligations hereunder, have been duly authorized by all requisite corporate action; and this Agreement has been duly executed and delivered by Seller Parent and, assuming this Agreement has been duly executed and delivered by Purchaser Parent, Initial Purchaser and New Purchaser, constitutes a legal, valid and binding obligation of Seller Parent, enforceable against Seller Parent in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

(b) Purchaser Parent hereby represents and warrants to Seller Parent, Initial Purchaser and New Purchaser that: each of Purchaser Parent, Initial Purchaser and New Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder; the execution and delivery by Purchaser Parent, Initial Purchaser and New Purchaser of this Agreement, and the performance by Purchaser Parent, Initial Purchaser and New Purchaser of its obligations hereunder, have been duly authorized by all requisite corporate action; and this Agreement has been duly executed and delivered by Purchaser Parent, Initial Purchaser and New Purchaser and, assuming this Agreement has been duly executed and delivered by Seller Parent, constitutes a legal, valid and binding obligation of each of Purchaser Parent, Initial Purchaser and New Purchaser, enforceable against Purchaser Parent, Initial Purchaser and New Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

3. Closing

(a) The first sentence of Section 3.1(a) of the SAPA shall be amended and restated in its entirety to state:

"The Closing shall take place at the offices of Wachtell, Lipton, Rosen & Katz located at 51 West 52nd Street, New York, New York 10019, at 10:00 a.m. (New York time) on July 31, 2019, or at such other time (but not date) and place as the Parties may mutually agree; provided, that in the event that the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied on the Closing Date, but subject to the satisfaction or waiver of such conditions) have not been satisfied or waived as of July 31, 2019, the Closing shall take place at the offices of Wachtell, Lipton, Rosen & Katz located at 51 West 52nd Street, New York, New York 10019, at 10:00 a.m. (New York time) on the third (3rd) Business Day following the satisfaction or waiver of the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied on the Closing Date, but subject to the satisfaction or waiver of such conditions), or at such other time and place as the Parties may mutually agree."

(b) The third sentence of Section 3.1(a) of the SAPA shall be amended and restated in its entirety to state:

"Unless the Parties agree otherwise, and notwithstanding the actual occurrence of the Closing at any particular time on the Closing Date, the Closing shall be deemed to occur and be effective as of 11:59 p.m. (New York time) on the Closing Date."

(c) A new Section 3.1(e) shall be added to Article III of the SAPA as follows:

"(e) Seller Parent, Purchaser Parent and Purchaser shall cause the transactions set forth in Exhibit H to occur on the dates and in the sequence set forth thereon."

(d) A new Exhibit H shall be added to the SAPA in the form set forth in Annex B to this Agreement.

(e) In the event the Closing does not take place on July 31, 2019, the Parties agree to cooperate in good faith to modify the provisions of this Agreement that assume a July 31, 2019 Closing Date, including the definition of Measurement Time and Sections 4 and 9, in order to effectuate and preserve the intent of the Parties in entering into this Agreement as nearly as practicable with respect to such other Closing Date.

(f) The Parties acknowledge and agree that the intent and purpose of the transactions set forth in Annex B to this Agreement and the novation and substitution of New Purchaser for Initial Purchaser described above is to facilitate the entry by the Parties into the consumer healthcare joint venture contemplated by the SAPA, and not to alter the underlying assets and liabilities of such joint venture or the Parties' respective economic or substantive rights or interests in, or obligations with respect to, the business of such joint venture following the Closing, and the provisions of this Agreement related to such transactions and novation and substitution will be interpreted and construed in a manner consistent with the foregoing.

4. Closing Financial Matters

(a) A new Section 3.1(f) shall be added to Article III of the SAPA as follows:

"Notwithstanding any provision of this Agreement to the contrary (including Section 6.2(c)), from and after 11:59 p.m. (New York time) on July 28, 2019, until 11:59 p.m. (New York time) on the Closing Date, except as Purchaser Parent shall otherwise consent in writing, Seller Parent covenants and agrees that (i) it shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to conduct the Business in the ordinary course of business in all material respects and in a manner designed such that Business Working Capital and Business Net Cash, were such amounts to be measured as of 11:59 p.m. on the Closing Date, would be substantially similar to such amounts as of the Measurement Time (with respect to the Business), other than changes to such amounts as may occur in the ordinary course of business and (ii) it shall cause the Conveyed Subsidiaries and their Subsidiaries not to declare or pay dividends or distributions of, or otherwise transfer to Seller Parent or any Retained Subsidiary, any Cash Equivalents."

(b) The reference to "subject to Section 6.5(f)" in Section 6.2(c) of the SAPA shall be changed to "subject to Section 3.1(f) and Section 6.5 (f)".

(c) The references to "12:01 a.m." in (i) the definitions of "Purchaser Net Cash" and "Purchaser Working Capital" in Section 1.1 of the SAPA and (ii) Sections 6.6(c)(iv), 6.7(b) and 6.18(a) of the SAPA shall be changed to "11:59 p.m.".

(d) The references to "12:01 a.m. (New York time) on the Closing Date" in (i) the definitions of "Business Net Cash," "Business Working Capital," and "Goods in Transit" in Section 1.1 of the SAPA and (ii) Sections 2.3(b) and 6.7(a) of the SAPA shall be changed to "11:59 p.m. (New York time) on July 28, 2019", and the reference to "after the Closing Date" in the last sentence of Section 2.3(b) of the SAPA shall be changed to "after 11:59 p.m. (New York time) on July 28, 2019".

(e) Paragraph 1 of Part II of Annex B-1 (*Accounting Principles*) of the SAPA shall be amended and restated in its entirety to state:

"1. The Estimated Closing Statement shall be drawn up by Seller Parent as of 11:59 p.m. (New York time) on July 28, 2019 (the "Measurement Time"), as estimated in good faith by Seller Parent, in the format set out in Annex B-2, including with respect to the line items to be included as assets and liabilities in the calculation of Business Working Capital and Business Net Cash, and shall be delivered within the time period specified in the Purchase Agreement. The Proposed Closing Statement shall be drawn up by Purchaser in accordance with the terms of the Purchase Agreement, including with respect to the line items to be included as assets and liabilities in the calculation of Business Working Capital and Business Net Cash as of the Measurement Time in a manner consistent with the Accounting Principles and the Sample Closing Statement, and shall be delivered to Seller Parent and Purchaser Parent within the time period specified in the Purchase Agreement."

(f) Paragraph 5(a) of Part II of Annex B-1 (*Accounting Principles*) of the SAPA shall be amended and restated in its entirety to state:

"a. for Business Net Cash and Business Working Capital, (x) for purposes of the Proposed Closing Statement, the relevant month-end rate for July 2019 (which is typically the Reuters rate in effect as of 12:00 p.m. (London time) on the last day of Purchaser Parent's July accounting period) as published by Purchaser Parent on its internal network and used by Purchaser Parent for monthly consolidation purposes in the ordinary course and (y) for purposes of the Estimated Closing Statement only, the Bloomberg exchange rates in effect as of 3:00 p.m. (Dublin time) on May 24, 2019 (in the case of the Purchased Assets and Assumed Liabilities subject to the Global NEB Agreement (Seller Parent Delayed Markets) and included in the calculation of Business Net Cash and Business Working Capital) and June 28, 2019 (in the case of all other Purchased Assets and Assumed Liabilities included in the calculation of Business Net Cash and Business Working Capital))."

(g) In connection with the preparation of the Estimated Closing Statement, the Parties acknowledge and agree that certain accounts receivable of the Business, as referenced in the Estimated Closing Statement (Tab TB Reconciliation, Row 28, Adjustment 8) (such accounts receivable, the "Withheld Accounts Receivable"), were omitted from the calculation of Business Working Capital in the Estimated Closing Statement, and that beneficial ownership of the Withheld Accounts Receivable is being retained by Seller Parent or a Retained Subsidiary as an Excluded Asset and the Withheld Accounts Receivable will not be reflected in the Proposed Closing Statement (and Purchaser and its applicable Subsidiaries will, as the holder of legal title to the Withheld Accounts Receivable and upon collection and receipt of any amounts in respect of the Withheld Accounts Receivable on behalf of Seller Parent or its applicable Retained Subsidiaries, remit such amounts to Seller Parent or its designated Retained Subsidiary). Seller Parent shall provide Purchaser with information regarding such Withheld Accounts Receivable reasonably necessary to enable Purchaser to perform the collection and remittal obligations set forth in the preceding sentence, which information shall be provided within forty-five (45) days following the Closing Date. The Parties further acknowledge and agree that certain Product Registrations are being retained by Seller Parent or a Retained Subsidiary for a temporary period following the Closing pursuant to arrangements mutually agreed by the Parties. For the avoidance of doubt, the retained Product Registrations that are the subject of the preceding sentence shall remain Purchased Assets for all purposes under the SAPA, and the preceding sentence and the arrangements referenced therein shall not otherwise waive or affect Purchaser's rights under the SAPA with respect to such Purchased Assets, including Section 2.1(i) of the SAPA.

(h) With respect to Seller Parent's obligation to deliver to Purchaser Parent the Estimated Closing Statement in clause (a) of Section 2.8(a) of the SAPA, the reference to "seven (7) Business Days" in Section 2.8(a) of the SAPA shall be changed to "four (4) Business Days."

(i) The references to "Purchaser Closing Statement" in Annex B-3 (*Purchaser Accounting Principles*) of the SAPA shall be changed to "Proposed Closing Statement" and the reference to "Purchaser Estimated Closing Statement" in Section 2.8(a) of the SAPA and Annex B-3 (*Purchaser Accounting Principles*) of the SAPA shall be changed to "Estimated Purchaser Closing Statement."

(j) Paragraph 1 of Part II of Annex B-3 (*Purchaser Accounting Principles*) of the SAPA shall be amended and restated in its entirety to state:

"1. The Estimated Purchaser Closing Statement shall be drawn up by Purchaser Parent as of 11:59 p.m. (New York time) on the Closing Date (the "Measurement Time"), as estimated in good faith by Purchaser Parent, in the format set out in Annex B-4, including with respect to the line items to be included as assets and liabilities in the calculation of Purchaser Working Capital and Purchaser Net Cash, and shall be delivered to Seller Parent within the time period specified in the Purchase Agreement. The Proposed Closing Statement shall be drawn up by Purchaser in accordance with the terms of the Purchase Agreement, including with respect to the line items to be included as assets and liabilities in the calculation of Purchaser Working Capital and Purchaser Net Cash as of the Measurement Time in a manner consistent with the Purchaser Accounting Principles and the Sample Purchaser Closing Statement, and shall be delivered to Seller Parent and Purchaser Parent within the time period specified in the Purchase Agreement."

(k) Paragraph 5(a) of Part II of Annex B-3 (*Purchaser Accounting Principles*) of the SAPA shall be amended and restated in its entirety to state:

"a. for Purchaser Net Cash and Purchaser Working Capital, (x) for purposes of the Proposed Closing Statement, the relevant month-end rate for July 2019 (which is typically the Reuters rate in effect as of 12:00 p.m. (London time) on the last day of Purchaser Parent's July accounting period) as published by Purchaser Parent on its internal network and used by Purchaser Parent for monthly consolidation purposes in the ordinary course, and (y) for purposes of the Estimated Purchaser Closing Statement only, the Reuters rate in effect as of 12:00 p.m. (London time) on May 31, 2019."

(l) A new Paragraph 16 of Part II of Annex B-3 (*Purchaser Accounting Principles*) of the SAPA shall be added to state:

"16. For purposes of the Estimated Purchaser Closing Statement and the Proposed Closing Statement (in respect of the Purchaser Business only), Finance Leases under 1 Year (2825) and Finance Leases Over 1 Year (2828) shall reflect the amounts thereof set forth in the audited consolidated balance sheet of the Purchaser Business as of December 31, 2018."

(m) The following sentences shall be added to the end of Section 2.9(a) of the SAPA:

"At the time of delivery of the Proposed Closing Statement, Purchaser shall also deliver to Seller Parent and Purchaser Parent a statement setting forth Purchaser's calculation of the aggregate amount of profit earned, or loss incurred, by the Business during the three (3)-day period between (and including such dates) (x) the day following the Measurement Time (with respect to the Business) and (y) the Closing Date (such amount, the "Stub Period Amount"). The Stub Period Amount shall be the product of (A) the average daily profit (or loss) of the Business before taxes (such amount determined based on the average daily profit (or loss) before taxes during Seller Parent's July 2019 accounting period, and derived from the monthly load file received by Purchaser in respect of such accounting period), multiplied by (B) the number of days between (and including such dates) the day following the Measurement Time (with respect to the Business) and the Closing Date (*i.e.*, three (3), assuming the Closing Date is July 31, 2019). The Parties hereto acknowledge and agree that the calculation of the Stub Period Amount and any payment in respect thereof shall not alter the rights, obligations and indemnities of Seller Parent pursuant to

Section 6.5(d)(i) of this Agreement. If the Stub Period Amount is a positive number, Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay within five (5) Business Days of the Closing Statement Finalization Date to Seller Parent (and/or Seller Parent's designee(s), in such allocations as may be directed by Seller Parent), by wire transfer of immediately available funds to the Seller Account, an amount in cash equal to the Stub Period Amount; provided, that in the event the post-Closing adjustments contemplated by this Section 2.9 result in a Final Business Deficit Adjustment that is greater than the value of the Stub Period Amount, Seller Parent may elect by written notice to Purchaser within two (2) Business Days of the Closing Statement Finalization Date to have the Stub Period Amount netted against the amount of such Final Business Deficit Adjustment, such that there shall be a single cash payment from Seller Parent to Purchaser, by wire transfer of immediately available funds to the Purchaser Account, in the amount of the Final Business Deficit Adjustment less the Stub Period Amount, and no separate cash payment from Purchaser to Seller Parent of the Stub Period Amount, in satisfaction of Seller Parent's obligations with respect to the payment of the Final Business Deficit Adjustment under Section 2.9(h) and Purchaser's obligations with respect to the payment of the Stub Period Amount under this Section 2.9(a). If the Stub Period Amount is a negative number, Seller Parent shall pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser, by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the absolute value of the Stub Period Amount; provided, that in the event the post-Closing adjustments contemplated by this Section 2.9 result in a Final Business Excess Adjustment that is greater than the absolute value of the Stub Period Amount, Seller Parent may elect by written notice to Purchaser within two (2) Business Days of the Closing Statement Finalization Date to have the Stub Period Amount netted against the amount of such Final Business Excess Adjustment, such that there shall be a single cash payment from Purchaser to Seller Parent, by wire transfer of immediately available funds to the Seller Account, in the amount of the Final Business Excess Adjustment less the absolute value of the Stub Period Amount, and no separate cash payment from Seller Parent to Purchaser of the Stub Period Amount, in satisfaction of Purchaser's obligations with respect to the payment of the Final Business Excess Adjustment under Section 2.9(g) and Seller Parent's obligations with respect to the payment of the Stub Period Amount under this Section 2.9(a). Any disputes with respect to the calculation of the Stub Period Amount shall be subject to the dispute resolution procedures set forth in Section 2.9 of the Purchase Agreement, which shall apply *mutatis mutandis*."

5. Seller Disclosure Letter

(a) Section 1.1(A) (*Conveyed Subsidiaries*), Section 4.3(b) (*Conveyed Subsidiaries; Capital Structure*) and Section 4.3(c) (*Conveyed Subsidiaries; Capital Structure*) of the Seller Disclosure Letter shall be amended and restated in their entirety as set forth in Annex A to this Agreement.

(b) Section 2.1(c) (*Leased Real Property*) of the Seller Disclosure Letter shall be amended and restated in its entirety as set forth in Annex D to this Agreement.

(c) Section 2.1(q) (*Other Purchased Assets*) of the Seller Disclosure Letter shall be amended and restated in its entirety as set forth in Annex C to this Agreement.

(d) Item 6 in Section 2.3(a)(xx) (*Excluded Assets*) of the Seller Disclosure Letter shall be amended and restated in its entirety to state:

"6. Reserved."

6. Purchaser Parent Disclosure Letter

(a) The fifth row in the table contained in Section 5.3(b) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

de Miclén sro (Slovakia)	25 Ordinary Euro shares with a nominal value of €1.000	GlaxoSmithKline Consumer Healthcare (Overseas) Limited (24 Ordinary Euro shares with a nominal value of €1.000) GlaxoSmithKline Consumer Healthcare Holdings Limited (1 Ordinary Euro share with a nominal value of €1.000)

7. Net Economic Benefit Arrangements

(a) The following new paragraphs shall be added under Section 4.15 (*Assets*) of the Seller Disclosure Letter:

"The transfer of legal title to the Purchased Assets (including equity interests in certain Conveyed Subsidiaries or Subsidiaries thereof) in the Seller Parent Delayed Markets shall not occur on the Global Closing Date, but shall be deferred until such time as the Deferred Closing Business (as defined in the Global NEB Agreement (Seller Parent Delayed Markets)) in each such Seller Parent Delayed Market is transferred to Purchaser or its applicable Subsidiary in accordance with the terms of this Agreement and the Global NEB Agreement (Seller Parent Delayed Markets).

In addition, reference is made to the Preparation H Mexico Letter Agreement."

(b) The following new paragraph shall be added under Section 5.16 (*Assets*) of the Purchaser Parent Disclosure Letter:

"The transfer of legal title to certain assets and liabilities of the Purchaser Business in the Purchaser Parent Delayed Markets shall not occur on the Global Closing Date, but shall be deferred until such time as the Deferred Closing Business (as defined in the Global NEB Agreement (Purchaser Parent Delayed Markets)) in each such Purchaser Parent Delayed Market is transferred to Purchaser or its applicable Subsidiary in accordance with the terms of this Agreement and the Global NEB Agreement (Purchaser Parent Delayed Markets)."

(c) A new Section 6.28 shall be added to Article VI of the SAPA as follows:

"6.28 Delayed Markets; Net Economic Benefit Arrangements.

(a) At the Closing, Seller Parent, Purchaser Parent and Purchaser shall enter into an agreement providing for, among other things, (i) the retention and operation on behalf of Purchaser or the applicable Purchaser Designated Affiliates of certain Purchased Assets (including equity interests in certain Conveyed Subsidiaries or Subsidiaries thereof) and Assumed Liabilities that shall not transfer to Purchaser on the Closing Date by certain Subsidiaries of Seller Parent (other than any Purchased Assets (including

equity interests) and Assumed Liabilities which, by their nature or by agreement of the Parties, will be transferred on the Closing Date), (ii) the calculation and settlement of payments for the purpose of Seller Parent and its Subsidiaries providing Purchaser and its Subsidiaries the economic and operational claims, rights, benefits and burdens of ownership of the Purchased Assets (including certain equity interests) in certain deferred jurisdictions set forth therein (the "Seller Parent Delayed Markets"), including the net profits and losses from the operation of the Purchased Assets (including certain equity interests) in such Seller Parent Delayed Markets beginning on (and including) the Closing Date, and (iii) the transfer to Purchaser and its applicable Subsidiaries following the Closing Date of the Purchased Assets (including equity interests) and Assumed Liabilities described in clause (i) (such agreement, the "Global NEB Agreement (Seller Parent Delayed Markets)"), in each case on the terms and conditions set forth therein.

(b) At the Closing, Seller Parent, Purchaser Parent and Purchaser shall enter into an agreement providing for, among other things, (i) the retention and operation on behalf of Purchaser or the applicable Purchaser Designated Affiliates of certain assets (including equity interests) and liabilities of the Purchaser Business held by Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries) that shall not transfer to Purchaser on the Closing Date by certain Affiliates of Purchaser Parent (other than Purchaser and its Subsidiaries), (ii) the calculation and settlement of payments for the purpose of Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries) providing Purchaser and its Subsidiaries the economic and operational claims, rights, benefits and burdens of ownership of such assets (including equity interests) in certain deferred jurisdictions set forth therein (the "Purchaser Parent Delayed Markets"), including the net profits and losses from the operation of such assets (including equity interests) in such Purchaser Parent Delayed Markets beginning on (and including) the Closing Date, and (iii) the transfer to Purchaser and its applicable Subsidiaries following the Closing Date of the assets (including equity interests) and liabilities described in clause (i) (the "Global NEB Agreement (Purchaser Parent Delayed Markets)"), in each case on the terms and conditions set forth therein."

8. Taiwan Lease Agreement

(a) The fourth recital to the SAPA shall be amended and restated in its entirety to state:

"**WHEREAS**, certain Sellers, Purchaser, Purchaser Parent and the Purchaser Designated Affiliates, at or prior to the Closing, will execute each of the Ancillary Agreements (other than the Lease Agreement); and"

(b) Section 6.14(b) of the SAPA shall be amended and restated in its entirety to state:

"At or prior to the Closing, Purchaser Parent, Purchaser and Seller Parent, as applicable, shall enter into, execute and deliver, or cause their applicable Affiliates to enter into, execute and deliver, each of the Ancillary Agreements (other than the Lease Agreement)."

(c) Section 6.14(d) of the SAPA shall be amended and restated in its entirety to state:

"As promptly as reasonably practicable after the Closing Date, but in any event within one hundred and twenty (120) days following the Closing Date, Seller Parent and Purchaser Parent shall negotiate, and they or their applicable Affiliates shall enter into, a lease agreement and related documentation in accordance with the terms set forth on Section 6.14(d) of the Seller Disclosure Letter (the "Lease Agreement")."

(d) Clause (b) of Exhibit A to the SAPA shall be amended and restated in its entirety to state:

"(b) each Ancillary Agreement (other than the Lease Agreement), duly executed by Seller Parent or its Affiliates, as applicable, unless such Ancillary Agreement has been executed and delivered by the parties thereto prior to the Closing;"

(e) Clause (b) of Exhibit B to the SAPA shall be amended and restated in its entirety to state:

"(b) each Ancillary Agreement (other than the Lease Agreement), duly executed by Purchaser, Purchaser Parent or the applicable Purchaser Designated Affiliate, as applicable, unless such Ancillary Agreement has been executed and delivered by the parties thereto prior to the Closing; and"

9. Employee Benefits

(a) The first sentence of Section 6.6(a)(i) of the SAPA shall be amended and restated in its entirety to state:

"Purchaser and its Subsidiaries (including, after the Closing, the Conveyed Subsidiaries and the Subsidiaries thereof) shall, effective as of the Closing, assume or retain all Liabilities in respect of (A) the Conveyed Subsidiary Plans (including Liabilities thereunder that relate to an employee or former employee who is not a Business Employee or Former Business Employee), (B) except as otherwise expressly provided in this Section 6.6, the service of the Business Employees and Former Business Employees to the Business or Purchaser Business prior to, on or following the Closing Date, including all Liabilities for compensation (including commissions, bonuses, incentive pay, overtime, premium pay, shift differentials and severance or termination pay) that become payable on or after the Closing, (C) except as otherwise expressly provided in this Section 6.6, compensation and benefits required to be provided by, or transferring to Purchaser pursuant to, applicable Law with respect to a Business Employee or Former Business Employee, (D) the other Liabilities specified in this Section 6.6 as being assumed, retained or reimbursable by Purchaser or its Subsidiaries, (E) except as otherwise expressly provided in this Section 6.6, all costs and expenses arising from the obligations of Purchaser or its Subsidiaries under this Section 6.6, and the implementation by Purchaser of the compensation and benefit plans as contemplated hereunder, (F) any Liabilities arising out of the failure of Purchaser or its Subsidiaries to comply with its obligations under this Section 6.6, including the failure to extend offers pursuant to Section 6.6(b)(i) or engage in any consultations required or contemplated by Section 6.6(b)(i) or Section 6.6(j), and (G) the Purchaser Pension Liabilities (the Liabilities assumed or retained by Purchaser and its Subsidiaries pursuant to this Section 6.6, collectively, the "Purchaser Assumed Employee Liabilities")."

(b) The first sentence of Section 6.6(a)(iii) of the SAPA shall be amended and restated in its entirety to state:

"Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries), shall, effective as of the Closing, retain or assume (A) all assets and Liabilities under or relating to each Purchaser Group Plan and each Foreign Purchaser Group Plan, and each other benefit or compensation plan, program, policy, agreement or arrangement at any time sponsored or maintained by Purchaser Parent or any of its ERISA Affiliates (including non-U.S. Affiliates) that is not (I) a Purchaser Business Plan, (II) Purchaser Pension Liabilities; (B) all Liabilities with respect to current or former employees of Purchaser Parent or its Affiliates who are not Purchaser Business Employees or Former Purchaser Business Employees; (C) all Liabilities with respect to the service prior to the Closing Date of the Purchaser Business Employees and Former Purchaser Business Employees to Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) to the extent such service was not related to the Purchaser Business; and (D) all other Liabilities specified in this Section 6.6 as being retained or assumed by Purchaser Parent or its applicable Affiliates pursuant to this Section 6.6, which Liabilities shall be Purchaser Parent Retained Liabilities."

(c) The last sentence of Section 6.6(a)(iii) of the SAPA shall be amended and restated in its entirety to state:

"Other than as expressly contemplated by this Section 6.6, in no event may Purchaser Parent or its Affiliates transfer a Purchaser Group Plan or Foreign Purchaser Group Plan (or any related Liabilities) that is not maintained by Purchaser or a Subsidiary thereof as of the date of this Agreement to Purchaser or a Subsidiary thereof."

(d) Footnote 6 in the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"Items marked with an "*" are Purchaser Business Plans. All other plans are Purchaser Group Plans or Foreign Purchaser Group Plans."

(e) Item 19 in Section 5.18(a) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"19. Defined benefit pension plans."

(f) Item 62 in Section 5.18(a) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"62. Pension plan."

(g) Item 120 in Section 5.18(a) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2017

120. In addition to the plans identified above, those additional Purchaser-level pension or other post-employment benefit plans or arrangements which are recognised in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2017 are hereby incorporated by reference.*"

(h) Item 1 in Section 5.18(b) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"1. Switzerland pension plan."

(i) Item 3 in Section 5.18(b) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"3. Ireland pension plans."

(j) Item 4 in Section 5.18(b) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"4. In addition to the plans identified above, those additional Purchaser-level pension or other post-employment benefit plans or arrangements which are recognised in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2017 are hereby incorporated by reference*."

(k) Item 11 in Section 5.18(d) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"11. Switzerland pension plan."

(l) Item 15 in Section 5.18(d) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"15. Ireland pension plans."

(m) Item 18 in Section 5.18(d) of the Purchaser Parent Disclosure Letter shall be amended and restated in its entirety to state:

"18. In addition to the plans identified above, those additional Purchaser-level pension or other post-employment benefit plans or arrangements which are recognised in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2017 are hereby incorporated by reference*."

(n) Clause (i) of Section 6.6 of the SAPA shall be amended and restated in its entirety to state:

"(i) [RESERVED]"

(o) A new Section 6.6(s) shall be added to Section 6.6 of the SAPA as follows:

"(s) Irish Pension Liabilities.

(i) Each of Purchaser Parent and Purchaser shall use its reasonable best efforts to procure that as soon as is practicable after Closing, and in any event before the date of completion of any Listing Transaction or sale (direct or indirect) of the stock or assets of GSK Consumer Healthcare Ireland Limited and GSK Dungarvan Limited:

(A) GSK Consumer Healthcare (Ireland) Limited and GSK Dungarvan Limited shall establish one or more pension plans in Ireland that have been duly authorised by local taxation and regulatory authorities (the "New Irish Plans");

(B) Subject to the preservation requirements of the Irish Pensions Act 1990 (as amended), the trustees of the GSK Ireland Pension Plan and the GSK (Ireland) Executive Pension Plan (the "Irish Plans") shall transfer to the New Irish Plans such part of the assets of the Irish Plans (the "Irish Transferred Assets") as are attributable to those members of the Irish Plans employed or formerly employed by GSK Consumer Healthcare Ireland Limited and GSK Dungarvan Limited who are Purchaser Business Employees or Former Purchaser Business Employees (the "Irish Transferring Beneficiaries") and the Irish Transferring Liability (as defined below) as of the Irish Transfer Date (as defined below); and

(C) As of the Irish Transfer Date, the New Irish Plans shall assume the Liability to provide benefits in respect of the Irish Transferring Beneficiaries that are equivalent in value to those to which the Irish Transferring Beneficiaries were entitled in the Irish Plans immediately before the Irish Transfer Date (the "Irish Transferring Liability").

The date of the completion of the transfer from the Irish Plans to the New Irish Plans of the Irish Transferred Assets is the "Irish Transfer Date." Each of Purchaser Parent and Purchaser shall use its reasonable best efforts to assist and cooperate with each other to take, or cause to be taken, all actions and to do all things necessary for the establishment of the plans and the transfer of assets and Liabilities. In the event that it is not possible to transfer the assets as contemplated by this Section 6.6(s)(i) but the Liabilities in respect of the Irish Transferring Beneficiaries under the Irish Plans nevertheless become Liabilities of Purchaser, Purchaser Parent and Purchaser shall take such actions as are necessary to replicate the economic effect of this Section 6.6(s) by making the true up under Section 6.6(s)(v)(A) and applying the Tax Benefit under Section 6.6(s)(vii).

(ii) The transfer from both Irish Plans need not occur on the same date. Should the transfers from the Irish Plans take place on separate dates, the provisions of this Section 6.6(s) shall apply separately to each such transfer. The failure of the transfer from one Irish Plan to take place will not prevent the transfer from the other Irish Plan from proceeding.

(iii) Within 45 days following the Irish Transfer Date, Purchaser Parent shall calculate the following amount (the "Irish Pension Adjustment") and confirm such amount, together with its calculations and any other information reasonably required by Seller Parent to confirm the accuracy of such determination, in writing to Seller Parent:

(A) the value of the Liabilities, as of the Irish Transfer Date, in respect of the Irish Transferring Beneficiaries by reference to the methodology and assumptions used for calculating the Liabilities of GSK Consumer Healthcare Ireland Limited and GSK Dungarvan Limited in the Irish Plans in the opening positions for Purchaser's financial statements as of July 31, 2019, which shall be consistent with the methodology and assumptions used for calculating the Purchaser Pension Liabilities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2018, with financial assumptions updated for market conditions as of the Irish Transfer Date (the "Irish Liability Value"); less

(B) the value of the Irish Transferred Assets as of the Irish Transfer Date.

(iv) Seller Parent shall, within 45 days following receipt of the calculation of the Irish Pension Adjustment and such information as it reasonably requires to verify it, in writing either confirm its agreement to such calculation (including the value of the Irish Liability Value and the Irish Transferred Assets) or notify Purchaser Parent in writing that it disagrees with the calculation, explaining why and providing its alternative calculation with any supporting documentation (including any alternative valuation of the Irish Liability Value and the Irish Transferred Assets). Where Seller Parent disagrees with Purchaser Parent's calculations the provisions of Section 6.6(e)(vi) shall apply *mutatis mutandis*.

(v) Within 30 days following either confirmation by Seller Parent of its agreement of the Irish Pension Adjustment or the determination of the Irish Pension Adjustment in accordance with Section 6.6(e)(vi):

(A) If the Irish Pension Adjustment is a positive amount, Purchaser Parent shall pay to Purchaser or such of its Subsidiaries as Purchaser shall nominate an amount equal to the Irish Pension Adjustment;

(B) If the Irish Pension Adjustment is a negative amount, Purchaser shall pay to Purchaser Parent or such of its Subsidiaries as Purchaser Parent shall nominate an absolute value equal to the Irish Pension Adjustment.

(vi) For purposes of this Agreement, (A) the Irish Transferring Liability shall be Purchaser Assumed Employee Liabilities; and (B) any Liabilities of or related to the Irish Plans that do not transfer to the New Irish Plans pursuant to this Section 6.6(s) shall be Purchaser Parent Retained Liabilities. From and following the Irish Transfer Date, Purchaser and its Subsidiaries shall have no Liabilities in respect of the Irish Plans.

(vii) Purchaser shall pay to Purchaser Parent the amount of any Tax Benefit actually realized by Purchaser or its Subsidiaries in the taxable year in which the payment pursuant to Section 6.6(s)(v)(A) is made or the subsequent two taxable years arising from any Tax Item in respect of any amount paid into the New Irish Plans up to an amount equal to that resulting from the true up under Section 6.6(s)(v)(A) in respect of the Irish Transferring Liability

within fifteen (15) days of the filing of the Tax Return with respect to which the Tax Benefit is actually realized (or, if the Tax Benefit is in the form of an increased cash Tax refund, within fifteen (15) days of the receipt of such cash Tax refund from the applicable Governmental Authority)."

(p) A new Section 6.6(t) shall be added to Section 6.6 of the SAPA as follows:

"(t) Swiss Pension Liabilities.

(i) Each of Purchaser Parent and Purchaser shall use its reasonable best efforts to procure that as soon as is practicable after Closing, and in any event before the date of completion of any Listing Transaction or sale (direct or indirect) of the stock or assets of GlaxoSmithKline Consumer Healthcare AG and Novartis Consumer Health SA (together the "Swiss CH Entities"):

(A) The Swiss CH Entities shall establish a pension plan in Switzerland that has been duly authorised by local taxation and regulatory authorities (the "New Swiss Plan"); and

(B) The board of the Personalvorsorgestiftung der GlaxoSmithKline Schweiz (the "Swiss Plan") shall transfer to the New Swiss Plan such part of the assets of the Swiss Plan (the "Swiss Transferred Assets") as are attributable to those members of the Swiss Plan employed or formerly employed by the Swiss CH Entities who are Purchaser Business Employees or Former Purchaser Business Employees (the "Swiss Transferring Beneficiaries") and the Swiss Transferring Liability (as defined below) as of the Swiss Transfer Date (as defined below); and

(C) As of the Swiss Transfer Date, the New Swiss Plan shall assume the Liability to provide benefits in respect of the Swiss Transferring Beneficiaries that are equivalent in value to those to which the Swiss Transferring Beneficiaries were entitled in the Swiss Plan immediately before the Swiss Transfer Date (the "Swiss Transferring Liability").

The date of the completion of the transfer from the Swiss Plan to the New Swiss Plan of the Swiss Transferred Assets is the "Swiss Transfer Date". Each of Purchaser Parent and Purchaser shall use its reasonable best efforts to assist and cooperate with each other to take, or cause to be taken, all actions and to do all things necessary for the establishment of the plan and the transfer of assets and Liabilities. In the event that it is not possible to transfer the assets as contemplated by this Section 6.6(t)(i) but the Liabilities in respect of the Swiss Transferring Beneficiaries under the Swiss Plans nevertheless become Liabilities of Purchaser, Purchaser Parent and Purchaser shall take such actions as are necessary to replicate the economic effect of this Section 6.6(t) by making the true up under Section 6.6(t)(iv)(A) and applying the Tax Benefit under Section 6.6(t)(vi).

(ii) Within 45 days following the Swiss Transfer Date, Purchaser Parent shall calculate the following amount (the "Swiss Pension Adjustment") and confirm such amount, together with its calculations and any other information reasonably required by Seller Parent to confirm the accuracy of such determination, in writing to Seller Parent:

(A) the value of the Liabilities, as of the Swiss Transfer Date, in respect of the Swiss Transferring Beneficiaries by reference to the methodology and assumptions used for calculating the Liabilities of the Swiss CH Entities in the Swiss Plan in the opening positions for Purchaser's financial statements as of July 31, 2019, which shall be consistent with the methodology and assumptions used for calculating the Purchaser Pension Liabilities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2018, with financial assumptions updated for market conditions as of the Swiss Transfer Date (the "Swiss Liability Value"); less

(B) the value of the Swiss Transferred Assets as of the Swiss Transfer Date; less

(C) the net pension Liability attributable to the Swiss CH Entities in the opening positions for Purchaser's financial statements as of July 31, 2019, which shall be consistent with the methodology and assumptions used for calculating the Purchaser Pension Liabilities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2018, with financial assumptions updated for market conditions.

(iii) Seller Parent shall, within 45 days following receipt of the calculation of the Swiss Pension Adjustment and such information as it reasonably requires to verify it, in writing either confirm its agreement to such calculation (including the value of the Swiss Liability Value and the Swiss Transferred Assets) or notify Purchaser Parent in writing that it disagrees with the calculation, explaining why and providing its alternative calculation with any supporting documentation (including any alternative valuation of the Swiss Liability Value and the Swiss Transferred Assets). Where Seller Parent disagrees with Purchaser Parent's calculations the provisions of Section 6.6(e)(vi) shall apply *mutatis mutandis*.

(iv) Within 30 days following either confirmation by Seller Parent of its agreement of the Swiss Pension Adjustment or the determination of the Swiss Pension Adjustment in accordance with Section 6.6(e)(vi):

(A) If the Swiss Pension Adjustment is a positive amount of more than £2 million, Purchaser Parent shall pay to Purchaser or such of its Subsidiaries as Purchaser shall nominate an amount equal to the Swiss Pension Adjustment; and

(B) If the Swiss Pension Adjustment is a negative amount, the absolute value of which is more than £2 million, Purchaser shall pay to Purchaser Parent or such of its Subsidiaries as Purchaser Parent shall nominate an absolute value equal to the Swiss Pension Adjustment.

(v) For purposes of this Agreement, (A) the Swiss Transferring Liability shall be Purchaser Assumed Employee Liabilities; and (B) any Liabilities of or related to the Swiss Plan that do not transfer to the New Swiss Plan pursuant to this Section 6.6(t) shall be Purchaser Parent Retained Liabilities. From and following the Swiss Transfer Date, Purchaser and its Subsidiaries shall have no Liabilities in respect of the Swiss Plan.

(vi) Purchaser shall pay to Purchaser Parent the amount of any Tax Benefit actually realized by Purchaser or its Subsidiaries in the taxable year in which the payment pursuant to Section 6.6(t)(iv)(A) is made or the subsequent two taxable years arising from any Tax Item in respect of any amount paid into the New Swiss Plan up to an amount equal to that resulting from the true up under Section 6.6(t)(iv)(A) in respect of the Swiss Transferring Liability within fifteen (15) days of the filing of the Tax Return with respect to which the Tax Benefit is actually realized (or, if the Tax Benefit is in the form of an increased cash Tax refund, within fifteen (15) days of the receipt of such cash Tax refund from the applicable Governmental Authority)."

(q) A new Section 6.6(u) shall be added to Section 6.6 of the SAPA as follows:

"(u) Other Purchaser Parent Pension Liabilities.

(i) In the event that Purchaser or its applicable Subsidiaries establish pension plans in respect of the Purchaser Pension Liabilities (the "New Pension Plans"), the transfer of Liabilities and assets shall be determined as of the relevant transfer date in accordance with the provisions of Section 6.6(t)(i) and (v) *mutatis mutandis*.

(ii) If the net pension Liability to be transferred to a New Pension Plan exceeds £0.5m, Purchaser Parent shall, within 30 days following the establishment of a New Pension Plan and the transfer of Liabilities and assets in accordance with Section 6.6 (u)(i), provide its calculations and any other information reasonably required by Seller Parent to confirm the accuracy of such determination, in writing to Seller Parent. Seller Parent shall, within 30 days following receipt of such calculation and such information as it reasonably requires to verify it, in writing either confirm its agreement to such calculation (including the value of the transferred Liabilities and assets) or notify Purchaser Parent in writing that it disagrees with the calculation, explaining why and providing its alternative calculation with any supporting documentation (including any alternative valuation of the transferred Liabilities and assets). Where Seller Parent disagrees with Purchaser Parent's calculations the provisions of Section 6.6(e)(vi) shall apply *mutatis mutandis*.

(iii) For the purposes of paragraph (ii), the net pension Liability shall be determined by reference to the opening positions for Purchaser's financial statements as of July 31, 2019, which shall be determined in a manner consistent with the methodology and assumptions used for calculating the Purchaser Pension Liabilities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2018, with financial assumptions updated for market conditions as of July 31, 2019."

(r) The reference to "Section 6.5, Section 6.6 or Article VII" in the first sentence of Section 6.5(c)(i) of the SAPA shall be changed to "Section 6.5, Section 6.6 (other than Section 6.6(s) and Section 6.6(t)) or Article VII."

10. Transfer Taxes

(a) Section 6.5(j) of the SAPA is hereby amended and restated in its entirety to state:

"Notwithstanding anything to the contrary in this Agreement, Seller Parent shall be responsible for half of, and Purchaser Parent shall be responsible for half of, any Transfer Taxes imposed on (i) the transfer of the Purchased Assets and Assumed Liabilities (which, for the avoidance of doubt, includes the transfer of any Purchased Assets or Assumed Liabilities in Seller Parent Delayed Markets) to Purchaser (or a Purchaser Designated Affiliate) and (ii) the direct or indirect transfer of the Purchaser Business (which, for the avoidance of doubt, includes the transfer of the Purchaser Business in Purchaser Parent Delayed Markets) by GlaxoSmithKline Consumer Healthcare Holdings Limited to each of Purchaser and Consumer Healthcare Holdings Ltd. and the subsequent direct or indirect transfer of an equity interest in Consumer Healthcare Holdings Ltd. by GlaxoSmithKline Consumer Healthcare Holdings Limited to Purchaser and, in each case, the costs of preparing and filing Tax Returns in respect of any such Transfer Taxes; provided, however, that the foregoing shall not apply to any Transfer Taxes triggered upon the Purchaser Parent Indemnified Parties and Purchaser Indemnified Parties consummating the steps set out under the heading "Alternate Steps" on Exhibit A of the Tax Indemnity Side Letter and which would not have been incurred upon the consummation of the steps set out under the heading "Original Steps" on Exhibit A of the Tax Indemnity Side Letter, and any such Transfer Taxes shall be governed by the terms of the Tax Indemnity Side Letter. The Party responsible under applicable Law for filing Tax Returns with respect to Transfer Taxes shall prepare and timely file such Tax Returns. Seller Parent and Purchaser Parent shall, and shall cause their respective Affiliates to, reasonably cooperate to timely prepare and file any Tax Returns or other filings relating to such Transfer Taxes and to minimize any such Transfer Taxes. This Section 6.5(j) does not apply to any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes, and Purchaser Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes."

11. VAT

(a) Section 6.5(k)(i) is hereby amended and restated in its entirety to state:

"(i) Notwithstanding anything to the contrary in this Agreement, subject to Section 6.5(k)(ii), (A) all payments made pursuant to this Agreement are exclusive of VAT and (B) any VAT imposed on the transfers of the Purchased Assets and Assumed Liabilities and the Purchaser Business to Purchaser (or any of the Purchaser Designated Affiliates) shall be charged to Purchaser (or the relevant Purchaser Designated Affiliate) in addition to, in the case of the Purchased Assets and Assumed Liabilities, the Purchase Consideration and, in the case of the Purchaser Business, the consideration referred to in the description of the

Purchaser Contribution. Purchaser (or the relevant Purchaser Designated Affiliate) shall pay any such VAT upon receipt of the relevant VAT invoices, if such invoice is required under applicable Law. Purchaser, Purchaser Parent and Seller Parent shall, and shall cause their respective Affiliates to, exercise commercially reasonable efforts to satisfy all compliance obligations necessary in order to treat any such transfer as a transfer of a going concern for VAT purposes where permissible under applicable Law. Where Seller Parent or Purchaser Parent has treated, or caused its Affiliates to treat, a transaction under this Agreement as a transfer of a going concern or otherwise exempt from or outside the scope of VAT and it receives notice that a Taxing Authority disagrees with that treatment, it shall promptly notify Purchaser and reasonably cooperate with Purchaser to contest such disagreement upon Purchaser's request, provided that Purchaser shall indemnify Seller Parent or Purchaser Parent (as the case may be) in respect of any costs, expenses, fees or Taxes incurred in connection with such contest. Seller Parent in the case of the Purchased Assets and Assumed Liabilities and Purchaser Parent in the case of the Purchaser Business shall issue (or shall cause to be issued) any invoice necessary and reasonably cooperate with Purchaser and its Affiliates to provide information and documentation necessary for Purchaser and its Affiliates to comply with its VAT obligations under applicable Law. For clarity, this Section 6.5(k)(i) does not apply to any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT and Purchaser Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT. Notwithstanding the foregoing, any VAT imposed on any transaction or step set out under the heading "Alternate Steps" on Exhibit A of the Tax Indemnity Side Letter and which would not have been imposed upon the consummation of the steps set out under the heading "Original Steps" on Exhibit A of the Tax Indemnity Side Letter shall be governed by the terms of the Tax Indemnity Side Letter, and this Section 6.5(k)(i) shall not apply to such VAT."

12. Tax Matters

(a) Clause (5) of Section 6.5(d)(i) of the SAPA shall be amended and restated in its entirety to state:

"(w) Taxes for a Pre-Closing Tax Period imposed on any transaction effected pursuant to Section 2.3(b), (x) Taxes for a Pre-Closing Tax Period imposed on any settlement of any intercompany accounts of Seller Parent or its Subsidiaries pursuant to Section 6.7, (y) Taxes for a Pre-Closing Tax Period imposed on any transaction or step forming part of the Seller Internal Restructurings, or (z) Taxes imposed on any transaction or step with respect to any Seller Parent Delayed Market, occurring after the Closing Date and prior to the Applicable NEB Termination Date (as defined in the Global NEB Agreement (Seller Parent Delayed Markets)) that is necessary to deliver the Business and the Purchased Assets to Purchaser or its Subsidiaries on the Applicable NEB Termination Date, including by extracting any Excluded Assets from any Conveyed Subsidiaries (or their Subsidiaries),"

(b) Clause (7) of Section 6.5(d)(ii) of the SAPA shall be amended and restated in its entirety to state:

"(x) Taxes for a Pre-Closing Tax Period imposed on any settlement of any intercompany accounts of Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, pursuant to Section 6.7, (y) Taxes for a Pre-Closing Tax Period imposed on any transaction or step forming part of the Purchaser Internal Restructurings, or (z) Taxes imposed on any transaction or step with respect to any Purchaser Parent Delayed Market, occurring after the Closing Date and prior to the Applicable NEB Termination Date (as defined in the Global NEB Agreement (Purchaser Parent Delayed Markets)) that is necessary to deliver to Purchaser or its Subsidiaries the assets constituting part of the Purchaser Business on the Applicable NEB Termination Date, including by extracting from any Subsidiary of Purchaser Parent any assets constituting part of the Purchaser Parent Retained Business,"

13. Intellectual Property

(a) The following sentences shall be added to the end of Section 6.10 of the SAPA as follows:

"Notwithstanding the foregoing or anything to the contrary hereunder or in any Ancillary Agreement, if with respect to any Registered Business IP (except for Copyrights and Internet Identifiers included therein), the applicable Assignor (as defined in the applicable IP Assignment Agreement) for such Registered Business IP in the applicable IP Assignment Agreement is not listed (as of the Closing Date) as the owner of record in the applicable Intellectual Property office or agency in the applicable jurisdiction for such Registered Business IP, or if there is any other gap in the chain of title or other update reasonably required to the Assignor's details (including change of name, address, or corporate status of the Assignor) of such Registered Business IP in the applicable Intellectual Property office or agency, then Seller Parent shall cause such Assignor and other applicable Affiliates of Seller Parent to, in coordination with the applicable Assignee (as defined in the IP Assignment Agreement) or its designee, (i) at the sole cost and expense of Seller Parent (or its Affiliates), and upon the reasonable request of the Assignee, take or cause to be taken such actions to update the identity of the owner of record, the chain of title or other update reasonably required to the Assignor's details for the applicable Registered Business IP in the applicable Intellectual Property office or agency such that the Assignor is listed as the owner of record and there are no other gaps in such chain of title or other update reasonably required to the Assignor's details (collectively "Update Actions"), including by preparing, filing, executing and delivering any and all assignments, powers of attorney or other agreements or documentation as may be required or requested by the Assignee or any of its Affiliates and (ii) reimburse the Assignee and its Affiliates for reasonable, documented out of pocket costs and expenses incurred by the Assignee and its Affiliates ("Update Costs") relating to any such Update Actions undertaken by the Assignee and its Affiliates, having taken due consideration of any reasonable suggestions by Seller Parent, including all costs and expenses of preparing and recording country-specific assignments and legalization of signatures (where required). However, any and all out of pocket costs incurred by Seller Parent or its Affiliates or Assignor in relation to the transferred Business IP whereby prior to Closing the Assignor, Seller Parent or its Affiliate incurred costs for maintenance fees or other annuities, translations, national filings and validations due after Closing to ensure continuous protection of such Business IP on behalf of the Assignee will be deducted from any Update Costs due to Assignee and/or its Affiliates pursuant to this Section 6.10."

14. Exhibits

(a) Exhibit C (*Form of Purchaser Shareholders Agreement*) of the SAPA shall be amended and restated in its entirety as set forth in Annex E to this Agreement.

(b) Exhibit D (*Form of Structuring Considerations Agreement*) of the SAPA shall be amended and restated in its entirety as set forth in Annex F to this Agreement.

(c) Exhibit E (*Form of Restated Purchaser Articles of Association*) of the SAPA shall be amended and restated in its entirety as set forth in Annex G to this Agreement.

15. Definitions

(a) The following defined term in Section 1.1 of the SAPA shall be amended and restated in its entirety to state:

""Ancillary Agreements" means, collectively, the Transition Services Agreement, Intellectual Property License Agreement, Manufacturing and Supply Agreement (Seller Parent as Supplier), Manufacturing and Supply Agreement (Purchaser as Supplier), IP Assignment Agreements, Transitional Trademark License Agreement, Safety Data Exchange Agreement, Data Transfer Agreement, Common Interest Agreement, Lease Agreement, Local Implementing Agreements, Structuring Considerations Agreement, Purchaser Shareholders Agreement, Global NEB Agreement (Seller Parent Delayed Markets), Global NEB Agreement (Purchaser Parent Delayed Markets), Effexor and Tazocin Transitional Agreement, and Local NEB Agreements."

(b) The defined term "Local Implementing Agreements" in Section 1.1 of the SAPA shall be understood to include the various share transfer agreements, Purchased Asset transfer agreements and other agreements and the schedules and exhibits thereto entered into by Seller Parent and its applicable Affiliates, on the one hand, and a Conveyed Subsidiary or Subsidiary thereof, on the other hand, in connection with the Seller Internal Restructurings and for purposes of implementing the eventual sale, transfer, conveyance, and assignment, as applicable, of the applicable Sellers' right, title and interest in the Shares and the other Purchased Assets to, and the employment of the Business Employees consistent with Section 6.6 of the SAPA by, directly or indirectly through the transfer of the Shares or the equity interests of Subsidiaries of the Conveyed Subsidiaries, Purchaser and the Purchaser Designated Affiliates, and the assumption of the Assumed Liabilities, as the case may be, in the appropriate jurisdictions, and shall also include the global assignment and assumption agreement and the global bill of sale which shall be entered into, effective as of the Closing, by and between Seller Parent and Purchaser.

(c) The following new defined terms shall be inserted in alphabetical order in Section 1.1 of the SAPA:

""Amendment Agreement" means that certain Amendment Agreement by and among Seller Parent, Purchaser Parent, Initial Purchaser and New Purchaser, dated as of July 31, 2019.

"Common Interest Agreement" means a common interest agreement to be entered into effective as of the Closing by and among Seller Parent, Purchaser Parent and Purchaser.

"Data Transfer Agreement" means the data transfer agreement to be entered into effective as of the Closing by and between Seller Parent, Purchaser Parent and Purchaser.

"Effexor and Tazocin Transitional Agreement" means the transitional agreement with respect to Effexor and Tazocin to be entered into effective as of the Closing by and among Seller Parent, GlaxoSmithKline Consumer Trading Services Limited, Pfizer Pharmaceuticals Ltd. and Wyeth Pharmaceutical Co., Ltd.

"Global NEB Agreement (Purchaser Parent Delayed Markets)" has the meaning set forth in Section 6.28(b).

"Global NEB Agreement (Seller Parent Delayed Markets)" has the meaning set forth in Section 6.28(a).

"Local NEB Agreements" has the meaning set forth in the Global NEB Agreement (Seller Parent Delayed Markets).

"Measurement Time" means (i) with respect to the Business, 11:59 p.m. (New York time) on July 28, 2019 and (ii) with respect to the Purchaser Business, 11:59 p.m. (New York time) on the Closing Date.

"Preparation H Mexico Letter Agreement" means that certain Stock and Asset Purchase Agreement Side Letter, by and among Seller Parent, Purchaser Parent and Initial Purchaser, dated as of June 21, 2019.

"Purchaser Parent Delayed Markets" has the meaning set forth in Section 6.28(b).

"Purchaser Pension Liabilities" means those Liabilities (net of allocable assets) accrued through the Closing Date in respect of Purchaser Business Employees and Former Purchaser Business Employees with benefits in any pension or other post-employment benefit plan or arrangement which was recognized in the GlaxoSmithKline Consumer Healthcare Holdings Limited Annual Report 2017, excluding any pension plan sponsored in, or subject to the Laws of, the United States or the United Kingdom. Without limiting the generality of the foregoing, in no event shall Purchaser Pension Liabilities include debt or other Liabilities arising under Section 75 of the Pensions Act 1995 (United Kingdom) or Liabilities arising under Title IV of ERISA.

"Purchaser Shareholders Agreement" means a shareholders agreement substantially in the form set forth in Exhibit C.

"Seller Parent Delayed Markets" has the meaning set forth in Section 6.28(a).

"Structuring Considerations Agreement" means a structuring considerations agreement substantially in the form set forth in Exhibit D.

"Stub Period Amount" has the meaning set forth in Section 2.9(a).

"Tax Indemnity Side Letter" means that certain Stock and Asset Purchase Agreement Side Letter, by and among Seller Parent, Purchaser Parent, Initial Purchaser and New Purchaser, dated as of July 2, 2019.

"Update Actions" has the meaning set forth in Section 6.10.

"Update Costs" has the meaning set forth in Section 6.10."

16. Letter Agreements Acknowledgement

(a) The first sentence of Section 10.4 of the SAPA shall be amended and restated in its entirety to state:

"This Agreement (including the Seller Disclosure Letter, the Purchaser Parent Disclosure Letter and all Annexes and Exhibits), the Amendment Agreement, the Preparation H Mexico Letter Agreement and the Tax Indemnity Side Letter contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, except for (i) the Confidentiality Agreement and the Clean Team Agreement which shall each remain in full force and effect and (ii) the Ancillary Agreements and any other written agreement of the Parties that expressly provides that it is not superseded by this Agreement."

(b) Initial Purchaser hereby assigns and transfers all of its rights and obligations under the Preparation H Mexico Letter Agreement and the Tax Indemnity Side Letter to New Purchaser, and New Purchaser hereby accepts and assumes all of such rights and obligations.

17. Miscellaneous Provisions

(a) The execution, delivery and effectiveness of this Agreement shall not constitute a waiver or amendment of any provision of the SAPA, except as specifically set forth herein. Except as herein expressly amended, all of the terms, conditions and provisions of the SAPA and any of the documents, schedules or exhibits referred to therein shall remain in full force and effect.

(b) This Agreement shall form a part of the SAPA for all purposes. From and after the date of this Agreement, any reference in the SAPA to "this Agreement", "hereof", "herein", and "hereunder" and words or expressions of similar import, and any reference to the SAPA contained in any notice, request, certificate, or other document executed prior to, concurrently with or after the execution and delivery of this Agreement, including any Ancillary Agreement, shall be deemed to be a reference to the SAPA as amended hereby (and as may be further amended, modified, restated, supplemented or extended from time to time in accordance with the terms thereof) unless the context shall otherwise require.

(c) The provisions set forth in Sections 10.1 (*Notices*), 10.2 (*Amendment; Waiver*), 10.3 (*Assignment*), 10.4 (*Entire Agreement*) (as amended hereby), 10.5 (*Parties in Interest*), 10.7 (*Expenses*), 10.10 (*Governing Law; Jurisdiction*), 10.11 (*Counterparts*), 10.12 (*Headings*), 10.13 (*Severability*), 10.14 (*Rules of Construction*), 10.15 (*Specific Performance*), 10.16 (*Affiliate Status*), and 10.17 *(Waiver of Conflict Regarding Representation; Nonassertion of Attorney-Client Privilege)* of the SAPA shall apply *mutatis mutandis* to this Agreement.

* * * * *

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the date first written above.

PFIZER INC.

By: /s/ Joseph Dana Hughes
Name: Joseph Dana Hughes
Title: Vice President, BD

GLAXOSMITHKLINE PLC

By: /s/ Charles M. Atkinson
Name: Charles M. Atkinson
Title: Duly Authorised Attorney

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

By: /s/ Charles M. Atkinson
Name: Charles M. Atkinson
Title: Duly Authorised Attorney

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS (NO.2) LIMITED

By: /s/ Charles M. Atkinson
Name: Charles M. Atkinson
Title: Duly Authorised Attorney

Annex A

Amended and Restated
Sections 1.1(A), 4.3(b) and 4.3(c)
of the Seller Disclosure Letter

Annex B

Exhibit H of the SAPA
(*Closing Restructuring and Transfers*)

Annex C

Amended and Restated
Section 2.1(q)
of the Seller Disclosure Letter

Annex D

Amended and Restated
Section 2.1(c)
of the Seller Disclosure Letter

Annex E

Amended and Restated
Exhibit C of the SAPA
(*Form of Purchaser Shareholders Agreement*)

Annex F

Amended and Restated
Exhibit D of the SAPA
(*Form of Structuring Considerations Agreement*)

Annex G

Amended and Restated
Exhibit E of the SAPA
(*Form of Restated Purchaser Articles of Association*)

Exhibit 4.9

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [***], HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

DATED 31 July 2019

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

and

PFIZER INC.

and

PF CONSUMER HEALTHCARE HOLDINGS LLC

and

GLAXOSMITHKLINE PLC

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS (NO.2) LIMITED

SHAREHOLDERS' AGREEMENT
in relation to GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited

---

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(DRJ/SRN/HAXS)
559680628

Exhibits and schedules have been omitted pursuant to the Instructions as to Exhibits in Form 20-F and will be furnished on a supplemental basis to the Securities and Exchange Commission upon request.

CONTENTS

Schedule 1 Form of Deed of Adherence

Schedule 2 Call Option Procedures and Price Determination

Schedule 3 ABAC Certification

Schedule 4 Shareholder Loans

Schedule 5 Form of Orderly Marketing Agreement

AGREED TERMS DOCUMENTS

Articles of Association
CEO Terms of Reference
Completion Board Resolutions
Initial business plan

THIS AGREEMENT is made on 31 July 2019

AMONG:

1. **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED**, a company incorporated under the laws of England under registered number 08998608 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (the "**GSK Shareholder**");

2. **PF CONSUMER HEALTHCARE HOLDINGS LLC**, a limited liability company incorporated under the laws of Delaware whose registered office is at 235 East 42nd Street, New York, New York 10017 (the "**Pfizer Shareholder**");

3. **PFIZER INC.**, a corporation incorporated under the laws of Delaware whose registered office is at 235 East 42nd Street, New York, New York 10017 ("**Pfizer**");

4. **GLAXOSMITHKLINE PLC**, a company incorporated under the laws of England under registered number 03888792 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS ("**GSK**"); and

5. **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS (NO.2) LIMITED**, a company incorporated under the laws of England under registered number 11961650 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (the "**Company**").

WHEREAS:

(A) The Shareholders (as defined below) have agreed to enter into this agreement upon Completion (as defined below) for the purpose of regulating the management of the Company, their relationship with each other and certain aspects of the affairs of, and their dealings with, the Company.

(B) Each Guarantor (as defined below) has agreed to guarantee the obligations of its Guaranteed Parties (as defined below) under this agreement.

(C) As at Completion, the GSK Shareholder will hold 680,000 A Shares (as defined below) and 300,000 Preference Shares (as defined below), and the Pfizer Shareholder will hold 320,000 B Shares (as defined below).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement:

"A Director"	means a Director appointed by the GSK Shareholder pursuant to clause 6.1 and unless otherwise stated includes the duly appointed alternate of such a Director (with the initial A Directors being those persons confirmed by the GSK Shareholder pursuant to clause 2.1(B));
"A Shares"	means the A ordinary shares of £1 each in the capital of the Company having the rights and restrictions set out in the Articles of Association;
"ABAC Policies and Procedures"	means, in relation to any company, its policies, systems, controls and procedures applicable from time to time that (i) are designed to prevent it and its Affiliates and its and their respective directors, officers, employees and third parties acting for or on behalf of each of them from violating any applicable Anti-Bribery Law, and (ii) provide for internal reporting of violations and suspected violations of any applicable Anti-Bribery Law and any applicable generally accepted standards of business ethics and conduct, and for ensuring that all such reports are fully investigated and acted upon appropriately;
"Accounting Period"	means the period commencing on 1 January in any year and ending on 31 December in the same year or such other accounting period as may be adopted by the Company in accordance with clause 4;
"Accounting Policies"	means the accounting policies, practices and procedures of GSK's Group as at the Completion Date, as they may be amended or varied from time to time in accordance with the provisions of this agreement, including (where applicable) clause 4;
"Accounts"	in respect of any Accounting Period, means the audited consolidated accounts of the Company's Group for such Accounting Period produced in accordance with the Accounting Policies;
"Adjusted Valuation Closing Balance Sheet"	has the meaning given in paragraph 9 of Part C of Schedule 2;
"Admission"	means the admission of all of the ordinary share capital of the Admission Entity to trading on a Recognised Stock Exchange (which in the case of the London Stock Exchange shall be a listing on the premium segment of the Official List maintained by the Financial Conduct Authority) and any accompanying listing of such share capital, and "**Admitted**" shall be construed accordingly;

"Admission Entity" has the meaning given in clause 17.5;

"Admission Shares" means the ordinary shares in the capital of the Admission Entity to which a Shareholder is entitled pursuant to the arrangements referred to in clause 17 (provided that any reference to "Admission Shares" in this agreement shall also be deemed to apply to American depositary receipts ("**ADR**") to be listed on a Recognised Stock Exchange in the United States of America in respect of such underlying Admission Shares, as the context requires);

"Affiliate" means, in relation to any person (the "**relevant person**") at any time during the period for which the determination of affiliation is being made:

(i) any person Controlled (directly or indirectly) by the relevant person;

(ii) any person Controlling (directly or indirectly) the relevant person; and

(iii) any person under common Control (directly or indirectly) with the relevant person,

provided that (i) Pfizer and GSK (and any members of their respective Groups) shall not be deemed to be an "Affiliate" of the Company (or any members of its Group), and the Company (and any members of its Group) shall not be deemed to be an "Affiliate" of Pfizer or GSK (or any members of their respective Groups), as of or following Completion, (ii) any Delayed Business shall not constitute an "Affiliate" of the Company unless, and until, the relevant completion date for the transfer of such Delayed Business under the SAPA and (iii) any Deferred Closing Business shall not constitute an "Affiliate" of the Company unless, and until, the relevant completion date for the transfer of such Deferred Closing Business under the NEBA;

"Agreed Terms"	means, in relation to a document, such document in the terms agreed between the Shareholders and acknowledged by or on behalf of the Shareholders, with such alterations as may be agreed in writing between the Shareholders from time to time;
"Alliance Market Business"	means the consumer healthcare operations in the following territories where members of GSK's Group undertake activities on behalf of the Company's Group under the relevant alliance market distribution agreement: Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Peru, Trinidad, Uruguay, Egypt and Morocco, as such list of territories may be amended from time to time by written agreement between the Shareholders;
"Anti-Bribery Law"	means (i) the Bribery Act, (ii) the FCPA, as amended, and the rules and regulations issued thereunder, and (iii) any other Law that relates specifically to bribery and/or corruption;
"Articles of Association"	means the articles of association of the Company, in the Agreed Terms, as amended from time to time in accordance with the provisions of this agreement, including clause 4;
"Bank Valuation"	has the meaning given in paragraph 2(C) of Part A of Schedule 2;
"B Director"	means a Director of the Company appointed by the Pfizer Shareholder pursuant to clause 6.2 and unless otherwise stated includes the duly appointed alternate of such a Director (with the initial B Directors being those persons notified to the Company pursuant to clause 2.1(C));
"B Shares"	means the B ordinary shares of £1 each in the capital of the Company having the rights and restrictions set out in the Articles of Association;
"Base Cash Amount"	means an amount equal to £300,000,000;
"Board"	means the board of directors of the Company;
"Board Recommendation"	means the recommendation of the board of GSK (or the relevant member of its Group) or the board of Pfizer (or the relevant member of its Group) (as applicable) to vote in favour of the relevant resolution;

"Borrowings" means, in relation to any person or persons, the aggregate of all borrowings and indebtedness in the nature of borrowings of such person or persons for the payment or repayment of money, including, without limitation, any bank debit balances, bonds, notes, loan stock, debentures or other debt instruments, foreign exchange, interest rate or other swaps, hedging obligations, bills of exchange, recourse obligations on factored or discounted debts, obligations under other derivative instruments, any overdraft or any finance lease and also any interest on the foregoing items, but excluding:

(i) any amount owing under any Shareholder Loans;

(ii) trade credit and bank account overdraft positions, each in the ordinary course of business to fund working capital requirements (including any intra-day or daylight bank overdraft facilities);

(iii) interest rate and foreign exchange hedging activities carried out in the ordinary course for non-speculative purposes;

(iv) acceptances of trade bills in respect of purchases in the ordinary course of business;

(v) any amount owing from one member of the Company's Group to another member of the Company's Group;

(vi) any Factoring Arrangements provided that:

(a) such Factoring Arrangements are entered into in the ordinary course of business;

(b) the Factored Amount does not exceed [***] in the aggregate for all members of the Company's Group incorporated, whose principal place of business is and/or whose material revenues or receivables are generated in any one jurisdiction; and

(c) the Factored Amount does not exceed [***] in the aggregate for all members of the Company's Group;

"Break Payment"	has the meaning given in clause 17.38;
"Bribery Act"	means the UK Bribery Act 2010;
"Business"	means the business of the Company's Group from time to time, as described in clause 3, as may be amended in accordance with the provisions of this agreement, including clause 4;
"Business Day"	means a day which is not a Saturday, a Sunday or a public holiday in New York, New York or London, the United Kingdom;
"Business Plan"	means any initial or revised business plan for the Company's Group (including any Delayed Business and any Deferred Closing Business) adopted by the Board from time to time in accordance with the provisions of this agreement, including clause 5;
"Buy-Out Price"	means the price per B Share as determined in accordance with the provisions of Schedule 2;
"CA 2006"	means the Companies Act 2006;
"Call Option"	has the meaning given in clause 19.2(A);
"Call Option Conditions"	has the meaning given in clause 19.2(C);
"Call Option Notice"	has the meaning given in clause 19.2(A);
"Cash"	means cash at bank and cash in hand (and not cash equivalents or other instruments);
"CEO"	means the chief executive officer of the Company;

"CEO Terms of Reference"	means the terms of reference under and subject to which management authority is delegated by the Board to the CEO (the initial form of which is in the Agreed Terms) or, as the context requires, any subsequent or amended terms of reference adopted by the Company in accordance with the provisions of this agreement, including clause 4;
"CFO"	means the chief financial officer of the Company;
"Chair"	means the chair of the Board;
"Code"	means The City Code on Takeovers and Mergers, as amended from time to time;
"Company D&O Policy"	has the meaning given in clause 23.3(C)(i);
"Competing Acquisition Period"	has the meaning given in clause 25.1(B);
"Competing Business"	means any business involved in the research and development, manufacturing, distribution, marketing, sale, promotion and/or other commercialisation of any [***];
"Completion"	has the meaning given to the term "Closing" in the SAPA;
"Completion Board Resolutions"	means the written resolutions of the Board, in the Agreed Terms, authorising certain matters pursuant to the Articles of Association;
"Completion Date"	has the meaning given to the term "Closing Date" in the SAPA;
"Connected Persons"	means, in relation to a party, any member of its Group and any officer, employee, agent, adviser or representative of that party or any member of its Group, in each case, from time to time;
"[***]"	[***];

"Control"	means, in relation to a person, the ability of another person to ensure that the activities and business of the first mentioned person are conducted in accordance with the wishes of that other person (whether by exercise of contractual rights, ownership of shares or otherwise), and a person shall be deemed to have Control of a body corporate if that person has the contractual right to procure that the activities and business of that body corporate are conducted in accordance with that person's wishes or if that person possesses the majority of the issued share capital or the voting rights in that body corporate or the right to receive the majority of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up (and "**Controlled**" and "**Controlling**" shall be construed accordingly);
"CTA 2010"	means the UK Corporation Tax Act 2010;
"CTA Ordinary Share Capital"	means ordinary share capital as defined in section 1119 of the CTA 2010;
"Deed of Adherence"	means a deed of adherence to this agreement in the form set out in Schedule 1;
"Deferred Closing Business"	has the meaning given in the NEBA;
"Deferred Shares"	means the non-voting, deferred shares of £0.0001 each in the capital of the Company, having the rights and restrictions set out in the Articles of Association;
"Delayed Business"	has the meaning given in the SAPA;
"Demerger" or "Demerge"	means: (i) in relation to the A Shares, the demerger or other distribution of A Shares (or Admission Shares deriving from them, or ADRs in respect of such Admission Shares) pro rata (subject to such exclusions or other arrangements as the directors of GSK may deem necessary in relation to fractional entitlements, the Preference Shares or applicable legal, regulatory or practical issues) to GSK's shareholders, whether by (a) direct transfer, or (b) GSK procuring the issue of such Admission Shares by the Admission Entity, or (c) GSK procuring the issue of shares deriving from the Admission Shares by an entity established by GSK (or a member of its Group) to facilitate such demerger or otherwise, in each case, as determined by GSK in its sole discretion; and

(ii) in relation to the B Shares, the demerger, spin-off or other distribution of B Shares (or Admission Shares deriving from them, or ADRs in respect of such Admission Shares) to Pfizer's shareholders, whether or not pro rata and whether effected through a spin-off, split-off, recapitalization, exchange offer or otherwise, as determined by Pfizer in its sole discretion;

"Directors" means the directors of the Company from time to time;

"Disposal" or "Disposes" means, in relation to any Share, any disposition of any right or interest in any Share and includes:

(i) any sale, assignment or transfer of any Share;

(ii) creating or permitting to subsist any pledge, charge, mortgage, lien or other security interest or encumbrance in respect of any Share;

(iii) creating any trust or conferring any interest in respect of any Share;

(iv) any agreement, arrangement or understanding in respect of votes or the right to receive dividends in respect of any Share (other than this agreement);

(v) the renunciation or assignment of any right to subscribe or receive any Share or any legal or beneficial interest in any Share;

(vi) any agreement to do any of the above; and

(vii) the transmission of any Share by operation of Law,

	or the holder of such Share (or any other member of its Group) entering into or agreeing to any arrangement whatsoever which has a similar economic effect to any such disposition;
"EMA"	means the European Medicines Agency, or any successor agency;
"Excess Cash"	has the meaning given in paragraph 8 of Part C of Schedule 2;
"Exchange Act"	has the meaning given in clause 17.34(A)(vi);
"Executive Management"	means the CEO and the CFO and such other individuals appointed by the CEO as members of the executive management of the Company pursuant to clause 7.1(F);
"Exit Notice"	means any of a GSK Separation Initiation Notice, Pfizer Separation Initiation Notice, GSK Separation Response and Call Option Notice;
"Factored Amount"	means the maximum amount of receivables permitted to be assigned or otherwise transferred, factored or discounted pursuant to any Factoring Arrangements that are outstanding from time to time;
"Factoring Arrangements"	means any agreements or arrangements entered into by any member of the Company's Group for the factoring or discounting of receivables on a non-recourse basis;
"FCPA"	has the meaning given in Schedule 3;
"FDA"	means the US Food and Drug Administration, or any successor agency;
"Free Float Minimum Level"	in respect of any Listing Transaction, means the minimum number of Admission Shares which would need to be in public hands to satisfy (after application of any available derogation) the applicable stock exchange or listing authority requirements as regards free float at the relevant time;

"Funding Shareholder"	has the meaning given in clause 12.6(B);
"Funding Shareholder Loan"	has the meaning given in clause 12.6(B)(ii);
"Governance Code"	means the then current version of the UK Corporate Governance Code published by the UK Financial Reporting Council or any successor body;
"Governmental Entity"	means any supra national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority, including the European Union;
"Group"	means, in relation to any body corporate, that body corporate and its Affiliates from time to time, provided that for the purposes of this agreement (i) the Company and any person Controlled by the Company (whether directly or indirectly) from time to time shall not be included in the Group of any Shareholder, Pfizer, GSK or any of their respective Affiliates (other than the Company and any person Controlled by the Company), and (ii) no Shareholder or any other member of a Shareholder's Group, including Pfizer, GSK and any of their respective Affiliates (other than the Company and any person Controlled by the Company), shall be included in the Company's Group;
"Group Transferee"	has the meaning given in clause 16.1;
"GSK D&O Policy"	has the meaning given in clause 23.3;
"GSK-Initiated Listing Transaction"	has the meaning given in clause 17.1;
"GSK NEB Agreement"	means the net economic benefit agreement entered into on the Completion Date by and among GSK, Pfizer and the Company (as it may be amended or supplemented);

"GSK Retained Business" means:

(i) the business(es) (from time to time) of or reported for financial purposes in the business(es) of GlaxoSmithKline Consumer Healthcare Limited, an Indian listed company, and its successors and assigns and any person Controlled by GlaxoSmithKline Consumer Healthcare Limited from time to time;

(ii) the business(es) (from time to time) of or reported for financial purposes in the business(es) of GlaxoSmithKline Consumer Nigeria plc, a Nigerian listed company, and its successors and assigns and any person Controlled by GlaxoSmithKline Consumer Nigeria plc from time to time;

(iii) the business(es) (from time to time) of or reported for financial purposes in the business(es) of GlaxoSmithKline Bangladesh Limited, a Bangladeshi listed company, and its successors and assigns and any person Controlled by GlaxoSmithKline Bangladesh limited from time to time;

(iv) the business(es) (from time to time) of the GSK Pharmaceutical Division, including the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise commercialising any [***] which are managed by and reported for financial purposes in the GSK Pharmaceutical Division on or prior to the date of this agreement (including any development of such products);

(v) the following manufacturing facilities: JPA, Brazil; BA, Argentina; Polugadong, Indonesia; Agbara, Nigeria; Nabha, India; Sonepat, India; and, Rajamundry, India; and

(vi) all of the assets to be sold pursuant to the Horlicks SPA;

"GSK Retained Shares"	means any shares held by any member of GSK's Group in the Admission Entity following completion of a Listing Transaction;
"GSK Separation Execution Period"	has the meaning given in clause 17.12;
"GSK Separation Initiation Notice"	has the meaning given in clause 17.1;
"GSK Separation Plan Notice"	has the meaning given in clause 17.4;
"GSK Separation Response"	has the meaning given in clause 17.20;
"GSK Shareholder"	means, together, the GSK Shareholder and any Group Transferee within GSK's Group to which any Share has been transferred in accordance with clause 16;
"GSK Strategic Transaction"	means, in relation to GSK, any person or persons acting in concert or any person acting on behalf of any such person(s) (the "**GSK Acquirer**") acquiring Control of GSK (or the ultimate holding company of GSK from time to time) or a transaction to which the UK Takeover Code applies in respect of GSK becoming unconditional in all respects and closing, provided that a GSK Strategic Transaction shall be deemed not to have occurred if all or substantially all of the shareholders of the GSK Acquirer are or, immediately prior to the event which would otherwise have constituted a GSK Strategic Transaction, were the shareholders of GSK (or the relevant ultimate holding company) with the same (or substantially the same) pro rata interests in the share capital of the GSK Acquirer as such shareholders have, or, as the case may be, had, in the share capital of GSK (or the relevant ultimate holding company);
"Guaranteed Party"	has the meaning given in clause 29.1(A) (with respect to GSK) and clause 29.1(B) (with respect to Pfizer);

"Guarantor"	has the meaning given in clause 29.1;
"Half-Yearly Accounting Period"	means (i) the period commencing on 1 January in any year and ending on 30 June in the same year and (ii) the period commencing on 1 July in any year and ending on 31 December in the same year, or such other half-yearly accounting periods as may be adopted by the Company in accordance with clause 4;
"Half-Yearly Accounts"	means, in respect of the first Half-Yearly Accounting Period in any year, the second Quarterly Accounts in respect of such Accounting Period and, in respect of the second Half-Yearly Accounting Period in any year, the Accounts for such Accounting Period;
"HMRC"	means Her Majesty's Revenue & Customs;
"Horlicks SPA"	means the sale and purchase agreement in relation to Horlicks and other consumer healthcare nutrition brands entered into between (among others) GlaxoSmithKline Consumer Healthcare Pte. Ltd, GSK and Unilever N.V. dated 3 December 2018;
"Initial Bank Assessment"	means the Initial GSK Bank Assessment or the Initial GSK/Pfizer Bank Assessment, as the context requires;
"Initial Business Plan"	has the meaning given in clause 5.1;
"Initial GSK Bank Assessment"	has the meaning given in clause 17.3;
"Initial GSK Investment Banks"	has the meaning given in clause 17.3;
"Initial GSK/Pfizer Bank Assessment"	has the meaning given in clause 17.16;
"Initial GSK/Pfizer Investment Banks"	has the meaning given in clause 17.16;

"Initial Investment Banks"	means the Initial GSK Investment Banks or the Initial GSK/Pfizer Investment Banks, as the context requires;
"Internal Revenue Service"	means the Internal Revenue Service, a bureau of the US Department of the Treasury under the immediate direction of the Commissioner of Internal Revenue;
"Joint Shareholder Loans"	has the meaning given in clause 12.6(A);
"Law"	means any statute, law, rule, regulation, ordinance, code or rule of common law issued, administered or enforced by any Governmental Entity, or any judicial or administrative interpretation thereof, including the rules of any stock exchange or listing authority;
"Listing Rules"	means the rules made by the Financial Conduct Authority in its capacity as the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (and contained in the UK Listing Authority's publication of the same name), as amended from time to time (including any successor rules);
"Listing Transaction"	means any, or both, of a Pfizer-Initiated Listing Transaction and/or a GSK-Initiated Listing Transaction;
"Major Market"	means the United States of America, Canada, Japan, China, the European Union and the United Kingdom, France, Germany, Italy and Spain individually, and provided, for the avoidance of doubt, that if the United Kingdom ceases to be a Member State of the European Union it shall still be treated as a Major Market for the purposes of this agreement;
"Mandatory Demerger Exchange"	means, in the event that an Admission has taken place and GSK subsequently undertakes a Demerger of some or all of the GSK Retained Shares whereby such GSK Retained Shares as are to be Demerged are transferred to an entity ("**demergeco**") in consideration for the issue of shares in demergeco ("**demergeco shares**") to GSK's (or any new holding company of GSK's

	Group's) shareholders, the mandatory exchange by the holders of Admission Shares (other than holders of GSK Retained Shares) of their Admission Shares for demergeco shares such that they hold shares in demergeco in substantially the same proportions as they held Admission Shares in the Admission Entity;
"Manufacture and Promotion Policies and Procedures"	means, in relation to any company, its policies, systems, controls and procedures applicable from time to time that (i) are designed to prevent it and its Affiliates and its and their respective directors, officers, employees and third parties acting for or on behalf of each of them from violating any applicable laws governing the manufacture, distribution, sale and promotion of [***], and (ii) provide for internal reporting of violations and suspected violations of such laws and any applicable generally accepted standards of business ethics and conduct, and for ensuring that all such reports are fully investigated and acted upon appropriately;
"Marketing" or "Market"	in respect of Admission Shares, means the marketing of such shares for sale or offer as part of an initial public offering;
"Marketed Shares"	has the meaning given in clause 17.33;
"Material Competing Business"	has the meaning given in clause 8.7;
"Maximum Sale Stake"	has the meaning given in clause 17.3(A);
"NEBA"	means the net economic benefit arrangements, comprising the GSK NEB Agreement and the Pfizer NEB Agreement;
"Net Debt"	has the meaning given in paragraph 10 of Part C of Schedule 2;
"Net Shareholder Loans"	has the meaning given in paragraph 6(B) of Part A of Schedule 2;
"New Shares"	has the meaning given in clause 17.33(A);

"Nominated Bank"	has the meaning given in paragraph 2(A) of Part A of Schedule 2;
"Non-Compete ROFN Exclusivity Period"	has the meaning given in clause 25.6;
"Non-Funding Shareholder"	has the meaning given in clause 12.6(B);
"Orderly Marketing Agreement"	means an orderly marketing agreement substantially in the form set out in Schedule 5;
"Peer Companies"	has the meaning given in paragraph 7(C) of Part B of Schedule 2;
"Percentage Interest"	in respect of any Shareholder, means X/Y expressed as a percentage, where X equals the number of A Shares or B Shares (as the case may be) held by such Shareholder and Y equals the aggregate amount of A Shares and B Shares;
"Permitted Executive"	has the meaning given in clause 8.7;
"Pfizer-Initiated Listing Transaction"	has the meaning given in clause 17.15;
"Pfizer NEB Agreement"	means the net economic benefit agreement entered into on the Completion Date by and among Pfizer, GSK and the Company (as it may be amended or supplemented);
"Pfizer Retained Business"	has the meaning given to the term "Retained Businesses" in the SAPA;
"Pfizer Retained Shares"	means any shares held by any member of Pfizer's Group in the Admission Entity following completion of a Listing Transaction;
"Pfizer Separation Execution Period"	has the meaning given in clause 17.27;
"Pfizer Separation Initiation Notice"	has the meaning given in clause 17.15;

"Pfizer Separation Plan Notice"	has the meaning given in clause 17.17;
"Pfizer Separation Response"	has the meaning given in clause 17.7;
"Pfizer Shareholder"	means, together, the Pfizer Shareholder and any Group Transferee within Pfizer's Group to which any Share has been transferred in accordance with clause 16;
"Pfizer Strategic Transaction"	means, in relation to Pfizer, any person or persons acting in concert or any person acting on behalf of any such person(s) (the "**Pfizer Acquirer**") acquiring Control of Pfizer (or the ultimate holding company of Pfizer from time to time), or any strategic merger, consolidation or similar business combination transaction between Pfizer and a Third Party, provided that a Pfizer Strategic Transaction shall be deemed not to have occurred if all or substantially all of the shareholders of the Pfizer Acquirer are or, immediately prior to the event which would otherwise have constituted a Pfizer Strategic Transaction, were the shareholders of Pfizer (or the relevant ultimate holding company) with the same (or substantially the same) pro rata interests in the share capital of the Pfizer Acquirer as such shareholders have, or as the case may be, had, in the share capital of Pfizer (or the relevant ultimate holding company);
"Pharmaceutical Regulatory Authority"	means, with respect to any regulatory jurisdiction, any national, federal, supranational, regional, state, provincial or local governmental or regulatory authority, agency, department, bureau, commission, council or other Governmental Entity, including FDA and EMA, regulating or otherwise exercising authority with respect to pharmaceutical products in such regulatory jurisdiction;
"Preference Shares"	means non-voting preference shares of £1 each in the capital of the Company having the rights and restrictions set out in the Articles of Association;
"Pre-Emption Conditions"	has the meaning given in clause 17.25(B);

"Pre-Option Balance Sheet"	has the meaning given in paragraph 6 of Part A of Schedule 2;
"[***]"	[***];
"Pre-Separation Recapitalisation"	has the meaning given in clause 17.32;
"Proceedings"	means any proceeding, suit or action arising out of or in connection with this agreement, whether contractual or non-contractual;
"Purchaser Parent Disclosure Letter"	has the meaning given in the SAPA;
"Quarterly Accounts"	(i) in relation to the first three quarters of any Accounting Period, has the meaning given in clause 9.1(C); and (ii) in relation to the fourth quarter of any Accounting Period, means the Accounts;
"Quarterly Accounting Period"	means (i) the period commencing on 1 January in any year and ending on 31 March in the same year, (ii) the period commencing on 1 April in any year and ending on 30 June in the same year, (iii) the period commencing on 1 July in any year and ending on 30 September in the same year, and (iv) the period commencing on 1 October in any year and ending on 31 December in the same year, or such other quarterly accounting periods as may be adopted by the Company in accordance with clause 4;
"Readily Available Cash"	means: (i) Cash; (ii) bank deposits of up to three months; (iii) short-term and liquid or easily realisable securities; and

(iv) any positive net position held by the Company's Group as against the GSK cash pooling arrangement (as described in clause 12.2) (principal and interest) (and including, for the avoidance of doubt, any commercial paper held by a member of the Company's Group issued by a member of GSK's Group and deposits held on demand on behalf of the Company's Group by GSK's Group in each case as part of such cash pooling arrangements),

but excluding:

(a) any items set out in paragraphs (i) to (iii) above that are held by any member of the Company's Group in such jurisdictions as the Treasurer of GSK shall from time to time determine, acting reasonably, and notify to Pfizer and the Company, as being jurisdictions that have absolute cross-border restrictions on transfers of cash between members of the Company's Group, taking into account the prevailing local restrictions and/or the local availability of foreign exchange to effect such transfers ("**Trapped Cash**");

(b) any items set out in paragraphs (i) to (iv) above to the extent that they are held in respect of Delayed Businesses or Deferred Closing Businesses otherwise than by a member of the Company's Group (regardless of whether such amounts are consolidated within the Company's accounts in respect of such Delayed Businesses or Deferred Closing Businesses) (provided, for clarity, that such amounts may be considered for purposes of any valuation performed in accordance with Schedule 2); and

(c) in respect of any item set out in paragraphs (i) to (iv) above held by such non-wholly-owned members of the Company's Group as the Treasurer of GSK shall from time to time, acting reasonably, determine, the percentage of such cash, deposit or securities that is equal to the percentage of the shares or other ownership interests held by any Third Party in that member of the Company's Group, or such lesser percentage entitlement as the Treasurer of GSK may from time to time, acting reasonably, determine based on the terms of the relevant Third Party ownership interests;

(d) any items set out in paragraphs (i) to (iv) above to the extent that: (1) they are held for the purpose of making any of the payments required by Sections 2.8 or 2.9 of the SAPA; (2) they are held pursuant to clause 12.11 for the purpose of making any of the payment referred to in clause 10.1; or (3) they represent proceeds received after the Completion Date (net of any Tax suffered thereon) or an entitlement to receive proceeds in respect of the sale contemplated by the Horlicks SPA (excluding, for the avoidance of doubt, ongoing payments under the Amended Consignment Selling Agreement (as defined in the SAPA));

"Recognised Stock Exchange" means any of the following:

(i) the main market on the London Stock Exchange;

(ii) NASDAQ; or

(iii) the New York Stock Exchange;

"Relevant Acquired Undertaking" has the meaning given in clause 25.1(B);

"Relevant Pre-Existing Arrangement" means:

(i) the amended and restated agreement of limited partnership between Marion Merrell Consumer Products Inc., GlaxoSmithKline Consumer Healthcare LP and SmithKline Beecham Corporation dated 10 September 1998, as amended; and

(ii) the joint venture contract between Tianjin Pharmaceutical Corporation and SmithKline Beckman Corporation dated April 1984, as amended;

"Relevant Third Party"	has the meaning given in clause 38.1(A);
"Requested Funds"	has the meaning given in clause 12.3;
"Requesting Shareholder"	has the meaning given in paragraph 2(A) of Part A of Schedule 2;
"Retained Shares"	means the GSK Retained Shares and/or the Pfizer Retained Shares, as the context requires;
"Revised Draft Business Plan"	has the meaning given in clause 5.2;
"ROFN End Date"	has the meaning given in clause 25.7;
"SAPA"	means the Stock and Asset Purchase Agreement, dated as of 19 December 2018, by and among Pfizer, GSK, and the Company (as it may be amended or supplemented);
"Securities Act"	has the meaning given in clause 17.34(A)(vi);
"Seller Disclosure Letter"	has the meaning given in the SAPA;
"Separation Execution Period"	means any, or both, of a Pfizer Separation Execution Period and/or a GSK Separation Execution Period;
"Separation Initiation Notice"	means a GSK Separation Initiation Notice or a Pfizer Separation Initiation Notice, as the case may be;
"Separation Plan Notice"	means a Pfizer Separation Plan Notice or a GSK Separation Plan Notice, as the case may be;
"Separation Response"	means a Pfizer Separation Response or a GSK Separation Response, as the case may be;
"Service Document"	has the meaning given in clause 46.5;
"Shareholder Loan"	means any shareholder loan granted by any GSK Shareholder (or any member of its Wholly-Owned Group) or any Pfizer Shareholder (or any member of its Wholly-Owned Group) (in each case as lender) to the Company (or any member of the Company's Group) (as borrower) pursuant to the provisions of clause 12.6;

"Shareholders" means the GSK Shareholder, the Pfizer Shareholder and any other person to whom the benefit of this agreement is extended in accordance with clause 22 in the capacity of a shareholder (and not as a guarantor);

"Shares" means the A Shares, the B Shares, the Preference Shares and the Deferred Shares and any other class of shares in the capital of the Company as may subsequently be created and/or issued and/or allotted in accordance with the provisions of this agreement, including clause 4;

"Stand-Aside Matter" means:

(i) any proposed or actual claims by any Stand-Aside Party against any member of the Company's Group or vice versa, including any claims under this agreement, the Structuring Considerations Agreement, the SAPA or any Ancillary Agreement (as defined in the SAPA), including any such claims for indemnification under Section 6.5, Section 6.6 or Article VII of the SAPA, or any other Transaction Document;

(ii) any matter relating to a determination or dispute under, exercising rights under, or breach or alleged breach of, any agreement or other arrangement between any member of the Company's Group and a Stand-Aside Party with regard to which matter the relevant member(s) of the Company's Group is (or, if the only Directors were A Directors or B Directors, as the case may be, would be) in dispute with any Stand-Aside Party;

(iii) any matter relating to the actions or steps to be taken by the Company in connection with the process in relation to any [***] of any Stand-Aside Party as set out in clause 14; or

(iv) any matter relating to the actions or steps to be taken by the Company in connection with the process in relation to any acquisition of any Competing Business from any Stand-Aside Party (or the exercise of any right of first negotiation in respect thereof) as set out in clauses 25.3 to 25.7;

"Stand-Aside Party"	has the meaning given in clause 8.5(A)(i);
"Sterling" and "£"	means the lawful currency of the United Kingdom;
"Structuring Considerations Agreement"	means the structuring considerations agreement between and among the Shareholders and the Company dated on or about the date hereof;
"[***]"	[***];
"[***]"	[***];
"[***]"	[***];
"[***]"	[***];
"Tax", "Taxes" or "Taxation"	means all taxes, levies, duties, imposts, charges and withholdings of any nature whatsoever, including taxes on gross or net income, profits or gains and taxes on receipts, sales, use, employment, payroll, land, stamp, transfer, occupation, franchise, value added, wealth and personal property, together with all penalties, charges, additions to tax, and interest relating to any of them, and regardless of whether any such amounts are chargeable or attributable directly or primarily to any other person or are recoverable from any other person;
"Tax Authority"	means any taxing, revenue or other authority competent to impose any liability to, or to assess or collect, any Tax, including, without limitation, HMRC and the Internal Revenue Service;

"Third Bank"	has the meaning given in paragraph 2(B) of Part A of Schedule 2;
"Third Party"	means a person who: (i) is not a Shareholder; and (ii) is not connected with any Shareholder; and (iii) is not a member of the Company's Group.
"Transaction Documents"	means the SAPA and the Ancillary Agreements (as defined in the SAPA), and such other documents and/or agreements entered into pursuant to the same;
"Trapped Cash"	has the meaning given in the definition of "Readily Available Cash";
"Valuation Balance Sheet"	has the meaning given in paragraph 6 of Part A of Schedule 2;
"Valuation Closing Balance Sheet"	has the meaning given in paragraph 9 of Part C of Schedule 2;
"Valuation Completion"	has the meaning given in paragraph 8 of Part C of Schedule 2;
"Valuation Completion Date"	has the meaning given in paragraph 9 of Part C of Schedule 2;
"Valuing Banks"	has the meaning given in paragraph 2(B) of Part A of Schedule 2;
"Wholly-Owned Group"	in relation to: (i) the GSK Shareholder, means GSK or any successor entity of GSK as the ultimate holding company of GSK's Group and any body corporate that is a 100 per cent. (direct or indirect) owned and controlled subsidiary or subsidiary undertaking of GSK or such successor entity; and (ii) the Pfizer Shareholder, means Pfizer or any successor entity of Pfizer as the ultimate holding company of Pfizer's Group and any body corporate that is a 100 per cent. (direct or indirect) owned and controlled subsidiary or subsidiary undertaking of Pfizer or such successor entity; and
"Working Hours"	means 9.30 a.m. to 5.30 p.m. (local time) on a Business Day.

1.2 In construing this agreement, unless otherwise specified:

(A) references to clauses, paragraphs and schedules are to clauses and paragraphs of, and schedules to, this agreement;

(B) use of any gender includes the other genders and (unless the context otherwise requires) the singular shall include the plural and vice versa;

(C) references to a "**person**" shall be construed so as to include any individual, firm, company or other body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);

(D) "**body corporate**" shall have the meaning given in section 1173 of the CA 2006, "**subsidiary**" and "**holding company**" shall have the meanings given in section 1159 of the CA 2006, "**subsidiary undertaking**" shall have the meaning given in section 1162 of the CA 2006, "**wholly-owned subsidiary**" shall have the meaning given in section 1159 of the CA 2006 and "**parent undertaking**" shall have the meaning given in section 1162 and Schedule 7 of the CA 2006;

(E) a reference to any statute or statutory provision or other regulation shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;

(F) any reference to a "**day**" (including within the phrase "**Business Day**") shall mean a period of 24 hours running from midnight to midnight;

(G) references to times are to London times unless otherwise indicated;

(H) references to "**include**" and "**including**" shall be deemed to be followed by the words "**without limitation**";

(I) reference to "**liabilities**", "**costs**" and/or "**expenses**" incurred by a person shall not include any amount in respect of VAT or any Tax of a similar nature included in such liabilities, costs and/or expenses for which that person or any other member of its Group is entitled to credit or repayment from any Tax Authority;

(J) references to "**indemnify**" any person against any circumstance shall include indemnifying and keeping such person harmless from all actions, claims and proceedings from time to time made against such person and all loss, damage, payments, costs or expenses suffered, made or incurred by such person as a consequence of that circumstance and, unless otherwise specified, any indemnity given in this agreement shall be deemed to have been given on an after-Tax basis;

(a) any indemnity or obligation to pay (the "**Payment Obligation**") being given or assumed on an "**after-Tax basis**" or expressed to be "**calculated on an after-Tax basis**" means that the amount payable pursuant to such Payment Obligation (the "**Payment**") shall be calculated in such a manner as will ensure that, after taking into account:

(i) any Tax required to be deducted or withheld from the Payment and any additional amounts required to be paid by the payer of the Payment in consequence of such withholding; and

(ii) the amount and timing of any additional Tax which becomes (or would, but for the use of any credit or other relief which would otherwise have been available to reduce the Tax liabilities of any member of GSK's Group, Pfizer's Group, or the Company's Group, as the case may be, have become) payable by the recipient of the Payment (or a member of GSK's Group, Pfizer's Group or the Company's Group, as the case may be) as a result of the Payment's being subject to Tax in the hands of that person; and

(iii) the amount and timing of any Tax benefit which is obtained, to the extent that such Tax benefit is attributable to the matter giving rise to the Payment Obligation or to the entitlement to, or receipt of, the Payment, or to any Tax required to be deducted or withheld from the Payment,

the recipient of the Payment is in the same position as that in which it would have been if the matter giving rise to the Payment Obligation had not occurred (or, in the case of a Payment Obligation arising by reference to a matter affecting a person other than the recipient of the Payment, the recipient of the Payment and that other person are, taken together, in the same position as that in which they would have been had the matter giving rise to the Payment Obligation not occurred), provided that the amount of the Payment shall not exceed that which it would have been if it had been regarded for all Tax purposes as received solely by the recipient and not by any fiscal unity or other similar Tax regime of which the recipient is a member;

(K) "**person or persons acting in concert**" shall be given the meaning as set out in the Law applicable to the person with whom persons are acting in concert;

(L) where any obligation in this agreement is expressed to be undertaken or assumed by any party, that obligation is to be construed as requiring the party concerned to exercise all rights and powers of control over the affairs of any of its Affiliates in order to secure performance of the obligation by it or such Affiliate;

(M) a reference to any other document referred to in this agreement is a reference to that other document as amended, varied, novated or supplemented (other than in breach of the provisions of this agreement or that other document) at any time;

(N) headings and titles are for convenience only and do not affect the interpretation of this agreement;

(O) a reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be treated as a reference to any analogous term in that jurisdiction;

(P) the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word "**other**" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;

(Q) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and

(R) unless expressly provided otherwise in this agreement: (i) the GSK Shareholder shall, for so long as it remains under the Control (direct or indirect) of GSK, be jointly and severally liable for their obligations, undertakings and liabilities arising under this agreement; and (ii) the Pfizer Shareholder shall, for so long as it remains under the Control (direct or indirect) of Pfizer, be jointly and severally liable for their obligations, undertakings and liabilities arising under this agreement.

1.3 The schedules (other than Schedule 1 and Schedule 5) form part of this agreement and shall have the same force and effect as if expressly set out in the body of this agreement, and any reference to this agreement shall include the schedules.

2. THE COMPANY

2.1 At (or prior to, as applicable) Completion:

(A) the Articles of Association (to the extent not already adopted) shall be adopted;

(B) the GSK Shareholder shall nominate as A Directors the six individuals notified by it to the Company prior to Completion (and these six persons shall include the CEO and CFO), and the Company shall appoint them (to the extent not already appointed) as the A Directors;

(C) the Pfizer Shareholder shall nominate as B Directors the three individuals notified by it to the Company prior to Completion, and the Company shall appoint them as the B Directors;

(D) Emma Walmsley (or such other person nominated by GSK (who shall be one of the six individuals nominated pursuant to clause 2.1(B) other than the CEO, the CFO or another member of Executive Management)) shall be appointed (if not already appointed) as Chair;

(E) Brian McNamara (or such other person nominated by GSK) shall be appointed (if not already appointed) as CEO;

(F) Tobias Hestler (or such other person nominated by GSK) shall be appointed (if not already appointed) as CFO;

(G) the accounting reference date of the Company shall continue to be 31 December in each year;

(H) Deloitte (or such other accountancy firm referred to in clause 4.1(P) as the GSK Shareholder may have notified to the other relevant parties) shall be appointed or continue in post (as applicable) as the auditors of the Company;

(I) subject and without prejudice to clause 8.5, the CEO Terms of Reference shall be adopted and the Board shall continue to delegate operational control of the Company's Group in accordance therewith;

(J) the Company shall elect to be treated as a disregarded entity for U.S. federal income tax purposes effective prior to the Completion Date; and

(K) the Shareholders shall procure that all meetings (or resolutions) of the Directors and/or of the Shareholders or their Affiliates as are reasonably required to implement all the above matters are held prior to Completion.

2.2 Prior to the Company paying its first dividend pursuant to clause 10.2, the Shareholders shall procure that the Company's share capital shall be reduced by the cancellation of such amount of the share premium on each A Share and B Share, and in such manner, as the Shareholders may agree (acting reasonably) with the objective of creating significant distributable reserves.

2.3 The headquarters of the Company's Group shall be in London.

2.4 The parties acknowledge that, subject to the provisions of this agreement, the Company's Group shall continue to be consolidated in GSK's consolidated accounts and that, as a subsidiary of GSK, the Company's Group shall continue to be subject to, and operate strictly on, the internal GSK Group platforms, systems, policies and procedures, including as to compliance and public policy matters, anti-bribery and corruption and dealings in securities as well as externally applicable matters, including any corporate integrity agreements.

3. BUSINESS OF THE COMPANY'S GROUP

3.1 Except to the extent that a change in the business of the Company's Group is not prohibited by, or is approved in accordance with, clause 4, the business of the Company's Group shall be to conduct, for itself or by means of investments in other entities, either directly or indirectly, anywhere in the world, the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise commercialising (i) [***] and (ii) any other products transferred to the Company's Group in accordance with the SAPA (and, where applicable, the NEBA) or held by any member of the Company's Group (which may include certain prescription products), in each case including all related and supporting activities.

3.2 The Business shall be conducted in accordance with the Business Plan, including any synergy plans reflected in the Business Plan or otherwise approved by the Board, subject always to the fiduciary duties of the Directors and the provisions of clause 4.1.

4. RESERVED MATTERS

4.1 Subject to clause 4.2, clause 4.3 and clause 8.5, each of the Shareholders shall, so far as it is legally able to do so, exercise its rights in relation to the Company to procure that none of the actions listed below shall be taken by the Company (or members of its Group where expressly referred to) without the prior written approval of Pfizer:

(A) any of the following:

(i) the creation, consolidation, subdivision, conversion or (save as provided in clause 2.2) cancellation of any share capital of the Company or the modification, variation or abrogation of any rights attached to any Shares;

(ii) the issue or allotment of any share capital of:

(a) the Company; or

(b) any other member of the Company's Group (other than to another wholly-owned member of the Company's Group); or

(iii) the creation of, or issuance of any instrument, document or security granting, any option or right to subscribe or acquire, or convert any security into, any share capital of:

(a) the Company; or

(b) any other member of the Company's Group (other than where granted to another wholly-owned member of the Company's Group); or

(iv) the purchase or redemption of any share capital of (or of any option or right to subscribe or acquire, or convert any security into, the share capital of) the Company or any other member of the Company's Group (other than any such purchase or redemption between wholly-owned members of the Company's Group);

(v) the disapplication of section 561 of the CA 2006 in respect of the share capital of the Company pursuant to section 570 or 571 of the CA 2006,

provided that, for the avoidance of doubt, this clause 4.1(A) shall not restrict any action taken: (1) in the operation of any scheme in connection with any employee option or incentivisation scheme of the Company or its Group that operates by reference to the share capital of the Company or any member of its Group and the ultimate entitlement under which is to cash settlement, provided further that it does not involve the issue, allotment or acquisition of (or rights to subscribe for or acquire or convert any security into) any share capital of the Company or any member or members of its Group to or by any person (or any reorganisation, cancellation, purchase or redemption of any such share capital), (2) in connection with the issue or allotment of Deferred Shares pursuant to clause 12.11 and the Structuring Considerations Agreement, (3) in connection with the issue or allotment of Preference Shares pursuant to clause 17.30, or (4) in connection with the capital of any non wholly-owned subsidiary of the Company, as required to be done by any such non wholly-owned subsidiary pursuant to any Relevant Pre-Existing Arrangement;

(B) any amendment to the Articles of Association or the Completion Board Resolutions (in each case, other than as expressly provided for in this agreement, including (without limitation) clause 35);

(C) any material change to the name of the Company, other than any such change that reflects changes being made generally to companies within GSK's Group or the Company's Group;

(D) any material reorganisation or change (including cessation) to the nature or scope of the Business by the Company's Group, other than pursuant to any applicable Law or to meet the requirements of any Governmental Entity or regulatory authority;

(E) any:

(i) acquisition or disposal by the Company or a member of its Group (including the grant of an option for such a transaction or any transaction with equivalent effect) of any asset or collection of assets (including shares and/or businesses), other than an acquisition or a disposal implemented pursuant to any Transaction Document (including, for the avoidance of doubt, the acquisition of a Delayed Business pursuant to the SAPA or the acquisition of a Deferred Closing Business pursuant to the NEBA) or pursuant to a Relevant Pre-Existing Arrangement;

(ii) merger, distribution of property, or entry into or termination of any joint venture, profit sharing agreement, collaboration agreement or other partnership transaction, in each case involving the Company or a member of its Group (but excluding, for the avoidance of doubt the characterisation of the Company solely for U.S. federal income Tax purposes as a partnership pursuant to the Structuring Considerations Agreement),

in each case, with a transaction value in excess of [***], whether by a single transaction or a series of related transactions completed during the 12 month period ending on the date of the last transaction (x) entered into with the same person (or persons which are members of the same Group) or (y) involving the acquisition or disposal of shares or any interest in one particular company or undertaking. For the purposes of this clause 4.1(E):

(a) the term "**acquisition**" shall include an in-licensing transaction;

(b) the term "**disposal**" shall include an out-licensing transaction;

(c) the transaction value of a merger, distribution of property, joint venture, profit sharing agreement, collaboration agreement or other partnership transaction shall be the value of any assets which the Company and members of its Group contribute to the merger, distribution, joint venture, profit sharing agreement, collaboration agreement or partnership transaction (together with any other consideration paid by the Company or any member of its Group to the counterparty or its Group) and no account shall be taken of the value of any assets which the other parties to the merger, distribution, joint venture, profit sharing agreement, collaboration agreement or partnership transaction contribute thereto; and

(d) transactions solely between or among wholly-owned members of the Company's Group shall be excluded;

(F) (i) entering into or renewing any transaction, arrangement or agreement by the Company or a member of its Group with a member of GSK's Group which is outside the ordinary course of business of the Company's Group or not on arm's length terms, or (ii) any material amendment to or variation of, or any consent or waiver under or in respect of, any such transaction, arrangement or agreement (other than immaterial consents or waivers in respect of day to day trading or operational matters that are given on arm's length terms), save that (in either case) this clause 4.1(F) shall not prohibit any transaction, arrangement or agreement effected pursuant to any Transaction Document;

(G) in respect of agreements, transactions or arrangements the entry into or renewal of which is not prohibited by clause 4.1(F) above and to which any member of GSK's Group is a party, any material amendment to or variation of, or any consent or waiver under or in respect of, any such agreement, transaction or arrangement between any member of the Company's Group and any member of GSK's Group (other than immaterial consents or waivers in respect of day-to-day trading or operational matters that are given on arm's length terms);

(H) any resolution to wind up the Company or any member of its Group;

(I) in respect of the Company or any member of its Group, the filing of a petition for winding up by the Company or any member of its Group or the making of any arrangement with creditors generally or any application for an administration order or for the appointment of a receiver or administrator;

(J) the disposal of all or substantially all of the assets of the Company and its Group taken as a whole (excluding transactions solely between wholly-owned members of the Company's Group);

(K) the adoption of any new CEO Terms of Reference or any amendment to the then current CEO Terms of Reference;

(L) in respect of any Accounting Period, the declaration and/or payment of any dividend by the Company to the Shareholders below the level specified in, or not otherwise in accordance with the provisions of, clause 10;

(M) in respect of any Accounting Period, the incurrence by the Company or any member of its Group of any capital expenditure if such capital expenditure, together with all other capital expenditures during such period, exceeds five per cent. of the forecast net sales of the Company for such Accounting Period as set out in the Business Plan;

(N) the creation or redemption by the Company or any member of its Group of any mortgage, charge, pledge, lien, option, debenture, third party right or interest or other encumbrance or security interest of any kind over any assets of the Company's Group (other than by operation of Law or in the ordinary course of business);

(O) save as required by applicable Law, applicable regulation or applicable accounting standards, or where any alteration is being applied generally across GSK's Group, altering the accounting reference date of any member of the Company's Group or the Accounting Policies where such alteration would or might reasonably be expected to adversely impact, other than to an extent which is not material, items relating to the Company's Group that are included in the consolidated financial statements of Pfizer's Group as prepared pursuant to (i) the accounting principles, practices and policies of Pfizer's Group as at the date of this agreement and (ii) the generally accepted accounting principles and financial reporting and accounting standards in the United States of America in issue and applicable from time to time;

(P) changing the auditors of the Company or any member of its Group to an accountancy firm which is not one of the following:

(i) a member of the network of member firms of PricewaterhouseCoopers International Limited;

(ii) a member firm of the KPMG network of independent firms which are affiliated with KPMG International;

(iii) a member firm of Ernst & Young Global Limited;

(iv) a member firm of Deloitte Touche Tohmatsu Limited;

(v) any successor to, or "spin-out" entity from, any of the foregoing; or

(vi) to the extent not one of the above, any accountancy firm which is GSK's auditor or (in respect of a non-UK subsidiary of the Company) an auditor of a non-UK member of GSK's Group;

(Q) other than as expressly provided for in any Transaction Document and without prejudice to clause 4.1(E), the Company or any member of its Group assigning, charging, abandoning, ceasing to prosecute or otherwise disposing of or failing to take all reasonable action to maintain the interest of any member of the Company's Group in any of the intellectual property owned by the Company's Group or accepting any restrictions on the use of any such intellectual property, in each case, where to do so would have a material adverse effect on the Business, taken as a whole;

(R) the Company or any member of its Group taking any action (or deciding not to take any action) in relation to the conduct of legal or administrative proceedings or investigations by any Governmental Entity (including the settlement thereof) that would result in the Company or any member of its Group making a payment or incurring a liability in excess of [***] or that would otherwise be reasonably considered to have a material adverse effect on the Business, taken as a whole (provided that this sub-clause (R) shall not apply to any Stand-Aside Matter where the Pfizer Shareholder is the Stand-Aside Party);

(S) (i) the adoption of new, or material amendment of existing, ABAC Policies and Procedures or Manufacture and Promotion Policies and Procedures of the Company or any member of its Group, which adoption or amendment is not also being made by GSK's Group more generally, or (ii) the Company or any member of its Group making a determination regarding any remedial actions to address any violation of such policies and procedures by any person covered by such policies and procedures, which remedial actions do not comply with such policies and procedures;

(T) the entry by the Company or any members of its Group into any contract or commitment which could involve a liability or aggregate payments (excluding any amounts in respect of VAT or other similar Tax) by or to the Company or any member of its Group in excess of [***], other than any such contract or commitment (i) entered into solely between or among wholly-owned members of its Group or (ii) entered into in the ordinary course of business for contract manufacturing or marketing, advertising or media promotion consistent with the Business Plan;

(U) subject to clause 4.2, the Company or any member of its Group making any Borrowings; or

(V) taking any action which requires Pfizer's consent under the Structuring Considerations Agreement save where such consent is deemed to have been given in accordance with clause 11.6(b) of the Structuring Considerations Agreement,

provided that, save to the extent conflicting with applicable Law, clauses 4.1(A) to (V) shall apply equally in respect of: (1) any Delayed Business, pending the closing date in respect of such Delayed Business under the SAPA, as if the Delayed Business were legally and beneficially owned by the Company; and (2) any Deferred Closing Business, pending the closing date in respect of such Deferred Closing Business under the NEBA, as if the Deferred Closing Businesses were legally and beneficially owned by the Company.

4.2 Provided that the Company complies with clause 11.8 of the Structuring Considerations Agreement, the Company and any member of its Group shall be permitted to:

(A) make Borrowings without the prior written approval of Pfizer, provided that the aggregate Borrowings by all members of the Company's Group shall (excluding any Borrowings within sub-clause (B) below) not exceed £300,000,000; and

(B) make any Borrowings for the purpose of any Pre-Separation Recapitalisation in accordance with clause 17.32.

4.3 Nothing in this clause 4 shall prevent or restrict the taking of any action that is:

(A) subject to the terms and conditions of the Structuring Considerations Agreement, reasonably undertaken and customary or required in connection with the implementation or completion of a GSK-Initiated Listing Transaction or a Pfizer-Initiated Listing Transaction (in either case, including any Demerger) in accordance with this agreement; or

(B) subject to the terms and conditions of the Structuring Considerations Agreement, taken in accordance with or pursuant to, or expressly contemplated by, any of clauses 16 to 20 in relation to any GSK-Initiated Listing Transaction or Pfizer-Initiated Listing Transaction (in either case, including any Demerger) or the exercise of the Call Option; or

(C) subject to the terms and conditions of the Structuring Considerations Agreement, taken pursuant to Section 6.3 or 6.22 of the SAPA or pursuant to any agreement, commitment or undertaking given or made under or pursuant to that section, including the NEBA; or

(D) taken in accordance with or pursuant to, or expressly contemplated by, the Horlicks SPA, including entry into the Amended Consignment Selling Agreement.

5. BUSINESS PLAN

5.1 The Business Plan as at Completion shall be the initial business plan in the Agreed Terms and the first Board meeting after Completion shall consider and, at the discretion of the Directors, approve any proposed amendments to or refinements of such initial business plan. The business plan adopted at such first Board meeting shall be the "**Initial Business Plan**".

5.2 Subject to clauses 5.4, the Company shall procure that, by no later than 15 Business Days prior to the end of each Accounting Period, the Executive Management shall have prepared and submitted to the Board a revised draft of the Business Plan covering the three year period commencing at the start of the next following Accounting Period to replace the prior existing Business Plan (a "**Revised Draft Business Plan**").

5.3 Each Revised Draft Business Plan submitted to the Board in accordance with clause 5.2 shall include, but not be limited to, the items and subject matter of the Initial Business Plan, provided that any such Revised Draft Business Plan required to be submitted to the Board in accordance with clause 5.2 on or after the date falling three years after the end of the year in which the Completion Date occurs shall not be required to include any updated information or analysis relating to synergies.

5.4 Each Revised Draft Business Plan shall be reviewed by the Board in conjunction with the Executive Management and shall be finalised by the Board prior to the start of the first Accounting Period to which it relates. Promptly following such finalisation, the Revised Draft Business Plan shall be approved and adopted as the Business Plan by the Board in accordance with clause 8.4.

6. SHAREHOLDER APPOINTMENTS

6.1 The GSK Shareholder shall be entitled, by notice in writing to the Company and to the Pfizer Shareholder, to nominate up to six Directors and to direct the Company to remove any such nominee from office as a Director and appoint a replacement Director (with such notice, if any, as the GSK Shareholder may require) from time to time, and the Company shall give effect to any such nomination (by appointing any nominee as a Director) or direction for removal (by removing the relevant Director from office and appointing such replacement Director).

6.2 The Pfizer Shareholder shall be entitled, by notice in writing to the Company and the GSK Shareholder, to nominate up to three Directors and to direct the Company to remove any such nominee from office as a Director and appoint a replacement Director (with such notice, if any, as the Pfizer Shareholder may require) from time to time, and the Company shall give effect to any such nomination (by appointing any nominee as a Director) or direction for removal (by removing the relevant Director from office and appointing such replacement Director).

6.3 Any GSK Shareholder or Pfizer Shareholder that removes a Director from office in accordance with the provisions of clause 6.1 or clause 6.2, respectively, or whose nominee Director vacates office, shall indemnify each other Shareholder (on its behalf and on behalf of each other member of its Group) and the Company (on its behalf and on behalf of each other member of its Group) against any claim, whether for compensation for loss of office, wrongful dismissal or otherwise, which arises out of such Director ceasing to hold office.

6.4 The GSK Shareholder shall be entitled, by notice in writing to the Company and the Pfizer Shareholder, to nominate any A Director (other than the CEO, the CFO or another member of Executive Management) to be Chair and to direct the Company to remove any such nominee from office and appoint another such A Director as Chair (with such notice, if any, as the GSK Shareholder may require) from time to time, and the Company shall give effect to any such nomination (by appointing such nominee as Chair) or direction for removal (by removing such nominee from office and appointing such other A Director as Chair). The Chair shall preside at any Board meeting and general meeting at which he is present. If such Chair is not present at any Board meeting, the A Directors present (in person or by way of an alternate) may (acting by simple majority) appoint any one of their number to act as Chair for the purpose of that meeting. The Chair or person chairing the meeting shall not have a casting vote.

6.5 Each A Director shall be entitled, by notice in writing to the Company, to appoint any person as his or her alternate director to attend, speak and vote on behalf of such A Director at any one or more Board meetings. Each B Director shall be entitled, by notice in writing to the Company, to appoint any person as his or her alternate director to attend, speak and vote on behalf of such B Director at any one or more Board meetings. For the avoidance of doubt, any one person may be appointed as an alternate director for any one or more A Directors or B Directors, as the case may be, and any such person appointed by multiple Directors shall possess their combined voting power at any meeting.

6.6 Each Shareholder shall, so far as it is legally able, exercise its rights in relation to the Company to procure that:

(A) any person nominated as a Director or Chair by the GSK Shareholder, or as a Director by the Pfizer Shareholder, pursuant to this clause 6 shall be appointed as such as soon as reasonably practicable and any direction requiring the Company to remove such person and appoint a replacement shall be implemented as soon as reasonably practicable (or with such other notice as may have been directed by such Shareholder);

(B) no person is appointed as a Director other than pursuant to the GSK Shareholder's and the Pfizer Shareholder's rights of appointment under clause 6.1 and clause 6.2, respectively; and

(C) no person is removed from his or her office as a Director other than pursuant to the GSK Shareholder's and the Pfizer Shareholder's rights under clause 6.1 and clause 6.2, respectively.

6.7 The Company shall purchase and maintain with a reputable insurer insurance effective from and including the date of this agreement, for or for the benefit of any person who is or was at any time a Director or director or officer of any member of the Company's Group, including insurance against, subject to Law, any liability incurred by or attaching to him or her in respect of any act or omission in the actual or purported exercise of his or her powers, in each case, from and including the date of this agreement (or, if later, the date of appointment of such Director or director or officer of any member of the Company's Group), and/or otherwise in relation to his or her duties, powers or offices in relation to any member of the Company's Group (and all costs, charges, losses, expenses and liabilities incurred by him or her in relation thereto).

7. EXECUTIVE MANAGEMENT

7.1 The parties acknowledge and agree that:

(A) the initial Chair shall be appointed (if not already appointed) by the Board as referred to in clause 2.1(D);

(B) the initial CEO shall be appointed (if not already appointed) by the Board as referred to in clause 2.1(E);

(C) any removal of the initial CEO and any appointment and/or removal of any subsequent CEO shall be a matter for the Board;

(D) the initial CFO shall be appointed (if not already appointed) by the Board as referred to in clause 2.1(F);

(E) any removal of the initial CFO and any appointment and/or removal of any subsequent CFO shall be a matter for the Board;

(F) the appointment of the members of the Executive Management (other than the CFO and, for the avoidance of doubt, the CEO) shall be a matter for the CEO, who shall be entitled to make such appointment from any employees, officers or directors of any member of the Company's Group or from any other external sources, including GSK's Group and Pfizer's Group, as specified in the CEO Terms of Reference;

(G) the CEO shall be an A Director (and shall count as one of the six individuals nominated as a Director by the GSK Shareholder);

(H) the CFO shall be an A Director (and shall count as one of the six individuals nominated as a Director by the GSK Shareholder), save that at the entire discretion of the GSK Shareholder it may elect at any time upon notice to the Company to remove the CFO from office as an A Director and appoint another person in his or her stead as an A Director (in which case the CFO shall become a non-Board position);

(I) subject and without prejudice to clause 4 and clause 8.5, the Board shall delegate operational control of the Company's Group to the CEO in accordance with the CEO Terms of Reference; and

(J) subject and without prejudice to clause 4 and clause 8.5, matters outside the authority delegated to the CEO by the CEO Terms of Reference shall require Board approval.

7.2 Subject to clause 7.3, the Board shall be responsible for the overall direction, supervision and management of the Company's Group in accordance with the provisions of this agreement and subject always to the fiduciary duties of the Directors, save that the Board shall not pass or implement any resolutions in respect of any matter listed in clause 4.1 unless any approval required from Pfizer has first been obtained in accordance with clause 4.

7.3 The parties agree that the Executive Management shall have full operational control of the Business, subject to the CEO Terms of Reference, review by the Board, the provisions of clause 4 and clause 8.5 and otherwise as provided for in this agreement, any of the other Transaction Documents or any other agreement or document entered into by the Shareholders (or any of their Affiliates) in connection herewith or therewith.

8. PROCEEDINGS OF DIRECTORS

8.1 Any Director may, and the secretary of the Company at the request of any Director or Shareholder shall, call a Board meeting. Board meetings shall be held four times a year, although any Director may request that additional meetings be held in any given year. The following provisions shall apply in respect of the location of Board meetings:

(A) subject to clause 8.1(B), all Board meetings shall be held in the United Kingdom; and

(B) one Board meeting in any Accounting Period may, if so determined by the Board, be held in any other country (other than the United Kingdom), provided that in the event that such other country is not the United States of America, Pfizer and GSK shall jointly select such country with due regard to the risk of establishing tax residence or any other taxable presence in that country; and

(C) any Director not physically present at a Board meeting shall be entitled to participate in such meeting by telephone, provided that a majority of the Directors attending such meeting are physically present at that Board meeting or are physically present in the United Kingdom or the United States of America at the time of that Board meeting.

8.2 Unless otherwise agreed in writing by the Shareholders, or where shorter notice is reasonably determined to be necessary by the Chair or the CEO to deal with any emergency or urgent issue, at least 10 Business Days' notice of each Board meeting shall be given to each Director and the notice shall be accompanied by an agenda, setting out in such detail as is reasonable and practicable in the circumstances, the subject matter of the meeting. The Company shall procure that any papers to be circulated to the Directors in respect of such meeting, if not circulated with the notice and the agenda, shall be circulated as soon as reasonably practicable thereafter and in any event not less than 48 hours prior to such meeting. Breach of this clause 8.2 shall not affect the validity of any Board meeting which has otherwise been validly convened and which is quorate.

8.3 Subject to clause 8.5, the following provisions shall apply in respect of quorum:

(A) a Board meeting (including any reconvened Board meeting held pursuant to clause 8.3(C)) shall be quorate if at least two Directors, including at least one A Director and at least one B Director, are present or represented by an alternate, save that, where no A Director has attended or been represented by an alternate at the previous two Board meetings that were properly called and noticed or where no B Director has attended or been represented by an alternate at the previous two Board meetings that were properly called and noticed, such a meeting shall be quorate if at least two Directors (whether or not an A Director and a B Director are amongst their number) are present or represented by an alternate;

(B) a Director present or represented by an alternate shall be counted in the quorum and be entitled to vote at a Board meeting on any resolution to be put to the Directors at such meeting; and

(C) if a quorum is not present at a Board meeting at the time when any business is considered, such meeting shall be reconvened. At least five Business Days' notice of any reconvened meeting shall be given to the Directors unless otherwise agreed in writing by the Shareholders.

8.4 Resolutions of the Directors shall be decided by a majority of the votes cast and each Director present or represented by an alternate shall have one vote, save that, in the event that, at any meeting, not all the A Directors or B Directors (as the case may be) are present, the A Directors or the B Directors (as the case may be) that are present shall possess in that meeting the combined voting power of all of the A Directors or the B Directors (as the case may be) at such meeting. In the case of an equality of votes, the Chair of the meeting shall not have a casting vote.

8.5 The following provisions shall apply in the event of a Stand-Aside Matter:

(A) a Director or an alternate for such Director shall not be:

(i) entitled to attend or vote at the part of any Board meeting at which any Stand-Aside Matter is considered in respect of any GSK Shareholder or any other member of its Group (if he or she is an A Director or an alternate for such Director) or any Pfizer Shareholder or any other member of its Group (if he or she is a B Director or an alternate for such Director) (each a "**Stand-Aside Party**" in relation to such Director); or

(ii) counted in the quorum (nor shall his or her presence be required in order to constitute a quorum if it would otherwise be required under this agreement) for any part of a Board meeting referred to in clause 8.5(A)(i) and, in such circumstances:

(a) where the Stand-Aside Party is a member of GSK's Group, a quorum shall exist if at least two B Directors are present or represented by an alternate; and

(b) where the Stand-Aside Party is a member of Pfizer's Group, a quorum shall exist if at least two A Directors are present or represented by an alternate,

save that, in respect of the matters referred to in sub-paragraphs (iii) and (iv) of the definition of Stand-Aside Matter, the provisions of clauses 8.5(A)(i) and 8.5(A)(ii) shall not apply to the CEO, who shall therefore be entitled to attend, vote and be counted in the quorum at any part of any Board meeting, regardless of whether any Stand-Aside Matter is being considered in respect of any GSK Shareholder (or such other member of its Group) during such part of such Board meeting;

(B) any decisions, actions or negotiations to be taken or conducted by any member of the Company's Group in relation to a Stand-Aside Matter shall be delegated to those Directors (including, where relevant, the CEO) that are entitled, in accordance with clause 8.5(A)(ii), to count in the quorum for the relevant part of the relevant Board meeting referred to in clause 8.5(A)(i), and that delegation shall be on terms which give those Directors (including, where relevant, the CEO), acting on a majority basis, full authority on behalf of the relevant member of the Company's Group to take such decisions and actions and conduct such negotiations as they shall (acting in good faith in the best interests of the relevant member of the Company's Group, having regard to their fiduciary duties and subject always to clause 23.1 but otherwise acting in their absolute discretion) think fit; and

(C) any claim or right of action which the Company or another member of its Group may have in respect of a breach of this agreement or any Transaction Document or other applicable agreement within the definition of Stand-Aside Matter or any other obligation owed to the Company or any other member of its Group where a Shareholder or another member of its Group is alleged to be responsible for the breach or responsible for performance of the obligation shall be prosecuted, as follows:

(i) where the person alleged to be responsible is a member of GSK's Group, by the B Directors; and

(ii) where the person alleged to be responsible is a member of Pfizer's Group, by the A Directors,

and those Directors, acting on a majority basis, shall have full authority on behalf of the Company or the relevant member of its Group to notify, commence proceedings in respect of, negotiate, litigate and settle any claim arising out of the breach (or alleged breach) or exercise any right (including any right of termination) arising out of the breach (or alleged breach) (acting in good faith in the best interests of the relevant member of the Company's Group, having regard to their fiduciary duties and subject always to clause 23.1 but otherwise acting in their absolute discretion) and the Shareholders shall take all steps within their power to give effect to the provisions of this clause 8.5(C).

8.6 Subject to clause 4, the Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee consisting of such persons (whether or not Directors) as it sees fit, provided that the Pfizer Shareholder shall have the right to appoint such number of its representatives to any such committee as results in those representatives comprising the same proportion (or as nearly the same proportion as may be reasonably practicable) of that committee as the proportion that the B Directors represent to the total number of Directors on the Board (and in any event no less than one such representative on each committee) (and, for the avoidance of doubt, clause 8.4 shall apply *mutatis mutandis* in relation to the voting rights of such representatives on the committee). Any committee so formed shall, in the exercise of its powers, authorities and discretions so delegated, conform to any requirements or restrictions which may be imposed on it by the Board. The meetings and proceedings of any such committee shall be governed by the provisions contained in this clause 8, unless the parties otherwise agree.

8.7 In the event that:

(A) any Shareholder or member of its Group does any of the things specified in clause 25.2(B) or (C) or enters into any agreement, arrangement or understanding to do any of such things; or

(B) a GSK Strategic Transaction or a Pfizer Strategic Transaction occurs,

and, as a result thereof or following which, such Shareholder or a member of its Group owns or is committed to acquire a Competing Business which [***] (a "**Material Competing Business**"), then the relevant Shareholder shall:

(i) take all actions as are necessary or desirable to ensure that no confidential information that is provided to such Shareholder or any member of its Group (including any of its nominee Directors) in relation to the Company's Group pursuant to this agreement shall be disclosed to or shall be in any way accessible by any person who has any material involvement with the operations, strategy or business affairs of the Material Competing Business (other than the CEO, CFO or other senior management-level executive of GSK (or its ultimate parent company) or Pfizer (or its ultimate parent company), as the case may be, as long as that person has no day-to-day involvement in the running of the Material Competing Business or direct or supervisory responsibility for competitive sales, pricing, marketing or product or service innovation with respect to products or services of the Material Competing Business that compete with products or services offered by the Business (a "**Permitted Executive**"));

(ii) if and to the extent necessary in order to ensure that paragraph (A) is satisfied, remove (pursuant to clause 6.1 or 6.2 (as applicable)) any of its nominee Directors who may following such event be reasonably expected to have any material involvement with the operations, strategy or business affairs of the Material Competing Business (provided that it shall not be required to remove any person who is an A Director or a B Director who is also a Permitted Executive); and

(iii) take all such other reasonable actions as are necessary or desirable to ensure that the provision of information pursuant to this agreement and the performance of any other obligations pursuant to this agreement will not breach any applicable Law,

in each case unless and until that Material Competing Business (a) has been disposed of in its entirety by the relevant member(s) of the relevant Shareholder's Group to the Company (or another member of the Company's Group) or to a person outside the relevant Shareholder's Group or (b) has otherwise ceased to be a Material Competing Business. Nothing in this clause 8.7 shall prevent the provision of information to any member of a Shareholder's Group pursuant to clause 9 where such information is

required in relation to the financial reporting and Tax-related obligations of such Shareholder's Group, always provided that each Shareholder shall take reasonable steps to ensure that any underlying information made available pursuant to clause 9 which is not at that time publicly reported shall not be accessible by any person who has any material involvement with the operations, strategy or business affairs of the Material Competing Business except as permitted by clause 8.7.

9. ACCESS TO INFORMATION AND ACCOUNTS

9.1 The Company shall provide each Shareholder with access to and copies of the following:

(A) as soon as reasonably practicable (and in any event within five Business Days after it is finalised in accordance with clause 5), any Business Plan;

(B) as soon as reasonably practicable after it becomes available in respect of the month to which it relates (and in any event within 30 Business Days following each month end (except for December)), the monthly management accounts of the Company's Group (it being acknowledged that no monthly management accounts in respect of the month of January will be provided to the Shareholders) prepared on the basis of the Accounting Policies showing, inter alia, the revenues, operating results, overall results and relevant cash flow information of the Company's Group on a monthly and year-to-date basis and performance compared to the Business Plan. These monthly reports shall also provide a general update on the status of the implementation of the Business Plan;

(C) within 30 Business Days of the end of each of the first three quarters in any Accounting Period, an unaudited quarterly report of the Company's Group prepared by the Executive Management on the basis of the Accounting Policies showing, amongst other things, the geographic analysis of turnover by major product, consolidated balance sheet, consolidated income statement (including the split between adjusted and total results), consolidated statement of comprehensive income and consolidated cash flow statement, Readily Available Cash, Borrowings, and supporting details for each of the foregoing as appropriate, for that quarter and for the year to that quarter end (such quarterly reports of the first three quarters of the Accounting Period being the "**Quarterly Accounts**"); and

(D) all such other information and records of the Company and its Group as that Shareholder may reasonably require from time to time, including information and records in connection with the following (such information and records to be provided as soon as reasonably practicable after any such request by a Shareholder and in any event reasonably in advance of any relevant financial or Tax reporting or filing requirements or deadlines applicable to such Shareholder in order to permit compliance therewith):

(i) the preparation and filing of that Shareholder's accounts (and/or the accounts of any other member of that Shareholder's Group), including but not limited to any requirement by Pfizer to provide US GAAP financial statements or summarized US GAAP financial information of the Company and its Group in Pfizer's filings with the SEC under SEC Regulation S-X Rules 3-09, 4-08(g) or 10-01(b)(1);

(ii) information required to be provided pursuant to the Structuring Considerations Agreement;

(iii) (subject, where relevant, to clause 23.6) the compliance by that Shareholder or any member of that Shareholder's Group with any reporting obligation if and to the extent required by any securities exchange or regulatory or Governmental Entity to which that party is subject, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, the U.S. Securities Exchange Commission, the New York Stock Exchange, or The Panel on Takeovers and Mergers, whether or not the requirement for information has the force of law; and

(iv) the compliance by that Shareholder or any member of that Shareholder's Group with any requirement of any Pharmaceutical Regulatory Authority,

provided that, subject to clause 9.3 and a Shareholder's rights under applicable Law, no Shareholder shall be entitled to require the Company to restate financial statements for any purpose (including the preparation of that Shareholder's (i) accounts (or the accounts of that Shareholder's Group) or (ii) Tax returns or other Tax filings or correspondence with a Tax Authority).

9.2 The Company shall finalise the Accounts for the Company and its Group for each Accounting Period as soon as reasonably practicable and in any event not later than three months after the end of the Accounting Period to which they relate. Save as required by applicable Law and accounting standards, the Accounts shall be prepared in accordance with the Accounting Policies. For the avoidance of doubt, the Accounts shall include or be accompanied by statements of Readily Available Cash and Borrowings as at the end of the Accounting Period.

9.3 The Company shall prepare and provide the Pfizer Shareholder the information and documents set out below:

(A) as soon as reasonably practicable and in any event within 30 Business Days after the end of each quarter, (i) a report of the Company's Group's net sales for such quarter, (ii) a report listing inventory purchased by the Company's Group from Pfizer and its Affiliates during such quarter that remains on the Company's Group's financial statements at the end of such quarter, and (iii) a report of sales and related cost of sales to Pfizer and its Affiliates for such quarter;

(B) as soon as reasonably practicable and in any event within 30 Business Days after the end of each quarterly period for any given Accounting Period, quarterly unaudited consolidated financial statements (including a balance sheet, income statement and cash flow statement and appropriate supporting information in relation to the foregoing) of the Company's Group in a form reasonably required by Pfizer and prepared in accordance with US GAAP or an unaudited reconciliation of the Accounts to US GAAP; and

(C) as soon as reasonably practicable and in any event no later than three months after the end of the relevant Accounting Period, an audited version of the Accounts prepared in accordance with US GAAP or an audited reconciliation of the Accounts to US GAAP, both in such form as reasonably required by Pfizer, and, in addition, preliminary accounts data relating to the relevant Accounting Period as soon as reasonably practicable and in any event no later than two months after the end of the relevant Accounting Period.

9.4 The Company shall prepare and provide each Shareholder with such information and documents (additional to the information referred to in clause 9.1, clause 9.2 and clause 9.3, which information shall be prepared at the Company's expense save where the Structuring Considerations Agreement expressly provides otherwise) as a Shareholder may reasonably request, provided that the first £150,000 of the costs of the Company incurred in preparing and providing any and all such documents and information to the requesting Shareholder in any Accounting Period pursuant to this clause 9.4 shall be borne by the Company, with the requesting Shareholder bearing any costs of the Company in excess of such amount.

9.5 All records of the Company and its Group shall be retained for a period of at least 10 years from the end of the year to which such record relates.

9.6 Each Director is irrevocably authorised by the Company to disclose to the Shareholder which appointed such Director and such other members of such Shareholder's Group any information or records (i) belonging to the Company or (ii) concerning either the Company and/or any other member of its Group or the Business and/or assets of the Company and/or any other members of its Group that it receives during the course of his or her office, subject (where relevant) to the provisions of clause 8.7, clause 23.6 and clause 26.

9.7 Pfizer, and any relevant member(s) of its Group, shall not publicly disclose any financial information provided by the Company under clause 9.1, clause 9.3, clause 9.4 or clause 9.8 until after such time as GSK has publicly disclosed that financial information as part of its quarterly or annual reporting (unless such results have not been published within 45 days after the end of the relevant Quarterly Accounting Period (in the case of the first three Quarterly Accounting Periods in an Accounting Period) or within 60 days after the end of the relevant Accounting Period or specific information which Pfizer is required to disclose has been previously disclosed by GSK in a 6-K filing or other applicable public filing with the SEC, in which case Pfizer may make such disclosure).

9.8 If the Pfizer Shareholder notifies the Company:

(A) at least 30 days before the end of any of the first three Quarterly Accounting Periods in an Accounting Period that Pfizer has a reasonably held expectation that it will need to present summary financial statement information regarding the Company in its 10-Q filing for the relevant Quarterly Accounting Period pursuant to SEC Regulation S-X Rule 10-01(b)(1) or other applicable rule or regulation; or

(B) at least 60 days before the end of an Accounting Period that Pfizer has a reasonably held expectation that it will need to present financial statements of the Company in its annual 10-K filing for the relevant Accounting Period pursuant to SEC Regulation S-X Rule 3-09 or 4-08(g) or other applicable rule or regulation,

the Company shall, within 55 days after the end of the relevant Accounting Period (in the case of clause (B)) and within 35 days after the end of the Quarterly Accounting Period (in the case of clause (A)), provide the Pfizer Shareholder with the following information:

(i) summarised financial information (including a profit and loss statement, balance sheet and cash flow statement in respect of the Company) required by SEC Regulation S-X Rule 10-01(b)(1) (or other applicable rule or regulation) and financial statements required by SEC Regulation S-X Rules 3-09 and 4-08(g) (or other applicable rule or regulation), as applicable; and

(ii) a reconciliation of the information provided pursuant to clause 9.7(i) to US GAAP.

The Company, the GSK Shareholder and the Pfizer Shareholder agree that, in the event that clause 9.8(A) or 9.8(B) applies, the parties shall cooperate in good faith to revise the three-month time periods referred to in clauses 9.2 and 9.3(C), and the 45-day and 60-day time periods referred to in clause 9.7, to the extent reasonably required in order to ensure that Pfizer is able to comply with its filing obligations with the SEC in accordance with SEC Regulation S-X Rules 3-09, 4-08(g), 10-01(b)(1), or other applicable rule or regulation.

9.9 Pfizer may elect, by written notification to the Company, not to receive any financial information to which clause 9.7 applies until such time as it has been publicly disclosed by GSK. Subject always to clause 9.7, in relation to any public disclosure of financial information that is required to be made by Pfizer (or any relevant member(s) of its Group), the financial information to be taken into account in respect of the Company's Group may be the latest financial information provided to Pfizer pursuant to this clause 9 and may include estimated financial information, provided that, if any such estimated financial information is included, such public disclosure makes clear on its face that it is estimated (and not actual) financial information.

9.10 The Company shall provide each Shareholder reasonable access, during normal business hours, to the accounting books and records and auditors of the Company's Group, including by providing such accounting books and records to the auditors of each Shareholder as such auditors may reasonably request.

10. DIVIDENDS

10.1 Unless it has insufficient distributable reserves to do so, the Company shall, if the GSK Shareholder directs the Company to do so, declare and pay a special dividend to the GSK Shareholder in an amount that is equal to any proceeds received (without duplication of Section 2.8 of the SAPA) by any member of the Company's Group (net of any Tax suffered thereon) in respect of the sale pursuant to the Horlicks SPA (for the avoidance of doubt, not including any proceeds received pursuant to the Amended Consignment Selling Agreement) within five Business Days of the completion of such sale.

Any such special dividend shall be payable in priority to any other dividend payable by the Company or any amount outstanding (in respect of interest, principal or otherwise) under any Shareholder Loan(s). To the extent that the Company has insufficient distributable reserves to pay all or some of a special dividend within the five Business Day time period, any unpaid amount shall be payable as a dividend in priority to any other dividend payable by the Company or any amount outstanding (in respect of interest, principal or otherwise) under any Shareholder Loan(s).

10.2 Subject to clauses 10.1 and 10.3, in respect of each Quarterly Accounting Period (beginning with the first Quarterly Accounting Period included within the first full Half-Yearly Accounting Period falling after Completion), the Company shall distribute to the Shareholders, in proportion to their respective Percentage Interests as at the relevant record date and as a dividend on the A Shares and the B Shares, not less than an amount that is equal to the aggregate amount of Readily Available Cash held by the Company's Group specified in the relevant Quarterly Accounts as is in excess of the Base Cash Amount. The parties acknowledge and agree that in priority to any dividend paid on the A Shares and the B Shares pursuant to this clause 10.2 a dividend of 0.01 per cent. of the aggregate amount that would otherwise have been payable to the Shareholders pursuant to this clause 10.2 shall first be paid to the holder(s) of Preference Shares. For the avoidance of doubt, the Board may resolve to pay dividends on the A Shares and the B Shares in excess of the amount provided by this clause 10.2 (subject always to clauses 10.3 and 12.1).

10.3 The Company shall only be required to declare and/or pay dividend(s) in accordance with clause 10.2 to the extent that:

(A) it has sufficient distributable reserves, and (without limiting the Shareholders' and the Company's obligations hereunder) the Board resolves, to do so; and

(B) there are no amounts outstanding (in respect of interest, principal or otherwise) under any Shareholder Loan(s); and

(C) there are no outstanding special dividends in respect of payment obligations pursuant to clause 10.1 which have been declared or become payable.

10.4 Dividends in respect of any Quarterly Accounting Period shall be declared and paid, unless otherwise agreed between the parties, no later than the later of:

(A) two months following the end of such Quarterly Accounting Period; and

(B) the first Business Day that is at least ten days after the first Board meeting that is held following the production of the unaudited quarterly report of the Company's Group by the Executive Management in respect of that Quarterly Accounting Period.

10.5 Except where dividends are to be paid in a currency other than Sterling in accordance with the terms of the SAPA, dividends shall be paid in Sterling. All dividends in respect of any Quarterly Accounting Period shall be paid to all the Shareholders on the same day and by way of inter-bank transfer or by other electronic means for same day value directly to an account with a bank or other financial institution (or other organisations operating deposit accounts) as notified in writing by the relevant Shareholder to the Company. In the absence of any such notification, the Company shall hold the amount of the relevant dividend on trust for the relevant Shareholder.

10.6 The Shareholders and the Company shall cooperate and take such steps as are reasonably required in connection with distributable reserves planning for the Company and its Group.

10.7 The Company shall instruct its auditors to report on the distributable reserves position of the Company at the same time as they sign their report on the Accounts.

10.8 The Company shall, so far as it is legally able to do so, procure that (and the Shareholders shall, so far as they are legally able to do so, exercise their rights in relation to the Company and under this agreement to procure that) all resolutions for the declaration or payment of dividends or other payments consistent with this clause 10 are duly passed by the relevant members of the Company's Group and the Board (as applicable).

10.9 For the avoidance of doubt, nothing in this clause 10 shall prevent or restrict the payment of the distribution contemplated by clause 17.32 in connection with a Pre-Separation Recapitalisation or shall limit the Shareholders' respective rights and obligations under the Structuring Considerations Agreement.

11. PRESENTATIONAL CURRENCY

The presentational currency of the Company shall be Sterling. The presentational currency of all other members of the Company's Group shall be as determined by the Board from time to time.

12. CASH MANAGEMENT AND SHAREHOLDER FUNDING

12.1 The parties intend that the Company's Group will always maintain a level of Readily Available Cash at or above the Base Cash Amount.

12.2 GSK shall be permitted, for treasury purposes, to manage the Cash of the Company's Group on a consolidated basis with the Cash of GSK's Group on arm's length terms and on a basis consistent in all material respects with that on which the Cash of GSK's Group is managed, provided that internal records are kept so that the Cash of the Company's Group is readily capable of calculation and assessment and GSK's Group retains a rating of at least [***] from Standard and Poor's and [***] from Moody's. Subject to the preceding sentence, the Cash of the Company's Group can be commingled (including by being held in accounts in the name of members of GSK's Group) with the Cash of GSK's Group provided that the Company's Group can withdraw its Cash as follows:

(A) for amounts up to [***] or equivalent on the same day, by giving notice to GSK's Group by noon UK time; and

(B) for amounts over [***] or equivalent within two Business Days, by giving notice to GSK's Group by noon UK time two Business Days prior to withdrawal, and

for the purposes of this clause 12.2, valid notice to GSK's Group shall constitute an e-mail to the GSK Group Treasurer with cc. [***].

For the avoidance of doubt, any interest or returns generated on any Cash of the Company's Group that is commingled with the Cash of GSK's Group pursuant to this clause 12.2 shall belong to the Company.

12.3 In the event that the Board determines that the Company's Group requires funds (for the purposes of working capital, acquisitions, capital expenditure or otherwise) that are both:

(A) in excess of any funding it then currently has in place; and

(B) in excess of that which it is permitted under clause 4.2(A) or clause 4.2(B) to raise by way of Borrowings without Pfizer's prior consent,

such funds (the "**Requested Funds**") will be requested by the Company from the Shareholders in proportion to their respective Percentage Interests.

12.4 Each Shareholder shall notify the Company in writing within 10 Business Days of receipt of any request from the Company pursuant to clause 12.3 as to whether or not it (or any other member of its Wholly-Owned Group) is willing to fund all (but not some only) of its proportionate amount of the Requested Funds as set out in such request, there being no obligation on either Shareholder to do so. In the event that a Shareholder fails to so notify the Company within that time, that Shareholder shall be deemed to have notified the Company that neither it nor any member of its Wholly-Owned Group is willing to fund its proportionate amount of the Requested Funds as set out in the relevant request from the Company pursuant to clause 12.3.

12.5 Promptly following the expiry of the period set out in clause 12.4 above (or, if earlier, promptly following receipt of a notification from each Shareholder pursuant to clause 12.4), and in any event within five Business Days thereafter, the Company shall notify each Shareholder whether the other Shareholder (or any other member of its Wholly-Owned Group) is willing to fund its proportionate amount of the Requested Funds requested from the Shareholders pursuant to the relevant request referred to in clause 12.3, and shall include in such notification to any Funding Shareholder (as defined below) any further request to fund the aggregate amount of the Requested Funds, as contemplated by clause 12.6(B)(i).

12.6 In the event that:

(A) each of the GSK Shareholder and the Pfizer Shareholder has notified the Company that it (or a member of its Wholly-Owned Group) is willing to fund all (but not some only) of its proportionate amount of the Requested Funds requested from the Shareholders pursuant to the relevant request referred to in clause 12.3, each of the GSK Shareholder (or such other member of its Wholly-Owned Group) and the Pfizer Shareholder (or such other member of its Wholly-Owned Group) shall enter into a loan agreement with the Company in respect of the relevant portion of such Requested Funds in accordance with Schedule 4 (any such loans being "**Joint Shareholder Loans**");

(B) one Shareholder has notified the Company that it (or a member of its Wholly-Owned Group) is willing to fund all (but not some only) of its proportionate amount of the Requested Funds requested from the Shareholders pursuant to the relevant request referred to in clause 12.3 (such Shareholder being a "**Funding Shareholder**"), and the other Shareholder has notified (or deemed to have notified) the Company that neither it nor a member of its Wholly-Owned Group is willing to fund its proportionate amount of such Requested Funds (such Shareholder being a "**Non-Funding Shareholder**"), then:

(i) the Company shall request that the Funding Shareholder indicate within five Business Days whether it (or any other member of its Wholly-Owned Group) is willing to fund the aggregate amount of the Requested Funds; and

(ii) in the event that the Funding Shareholder indicates within such five Business Day period that it (or any other member of its Wholly-Owned Group) is willing to fund:

(a) the aggregate amount of the Requested Funds, the Company and the Funding Shareholder shall together enter into a loan agreement in respect of such aggregate amount on the terms and conditions set out in Schedule 4; or

(b) some but not all of the Non-Funding Shareholder's proportionate amount of the Requested Funds (as well as, for the avoidance of doubt, such Funding Shareholder's own proportionate amount), the Company shall determine at its discretion whether to enter into a loan agreement in respect of such amount and (if it does so determine) the Company and the Funding Shareholder shall enter into a loan agreement in respect of such amount on the terms and conditions set out in Schedule 4,

any such loan, whether pursuant to (a) or (b), being a "**Funding Shareholder Loan**"; and

(iii) to the extent that the Funding Shareholder indicates that neither it (nor any other member of its Wholly-Owned Group) is willing to fund the aggregate amount of the Requested Funds, and unless a lesser loan is otherwise agreed to by the Company pursuant to clause 12.6(B)(ii)(b), the Company shall withdraw the request for the Requested Funds, and no additional funding shall be advanced to the Company by either Shareholder in connection with such request; or

(C) no Shareholder has notified (or deemed to have notified) the Company that it (or a member of its Wholly-Owned Group) is willing to fund its proportionate amount of the Requested Funds requested from the Shareholders pursuant to the relevant request referred to in clause 12.3, the Company shall withdraw the request for the Requested Funds, and no additional funding shall be advanced to the Company by any Shareholder in connection with such request.

12.7 Unless otherwise agreed between the Shareholders in writing, any additional funding shall only be provided by way of Shareholder Loan. No Shareholder shall be permitted to, and each Shareholder shall procure that no member of its Group shall, transfer or assign any right relating to a Shareholder Loan (or any rights attaching to the same) without the prior written consent of the other Shareholder, other than in accordance with the terms of this agreement (including, for the avoidance of doubt, the terms set out in Schedule 4).

12.8 All Shareholder Loans shall be *pari passu*, and the total amount of all Shareholder Loans outstanding at any given time shall be aggregated and repayments shall be made, in accordance with clause 12.9, to each Shareholder (or members of its Wholly-Owned Group, as relevant) *pro rata* in the same proportion as the amount (principal and interest) owed to each Shareholder (and/or members of its Wholly-Owned Group, as relevant) bears to the aggregate amount of all Shareholder Loans.

12.9 The Board shall determine the amount of Readily Available Cash held by the Company's Group promptly following the finalisation of the Quarterly Accounts and of the Accounts and thereafter shall promptly and, in any event, prior to the declaration and/or payment of any dividend in respect of the relevant Quarterly Accounting Period pursuant to clause 10.3, first apply any amount of Readily Available Cash above the Base Cash Amount in repayment of any amounts outstanding under any Shareholder Loans on the basis set out in clause 12.8. For the avoidance of doubt, any Readily Available Cash reserved but not yet applied for such purpose shall not be part of the calculation of any dividend for the purposes of clause 10.2.

12.10 Each of Pfizer and GSK shall, and shall procure that the relevant members of its Wholly-Owned Group shall, use commercially reasonable efforts to ensure that any member of Pfizer's Wholly-Owned Group or GSK's Wholly-Owned Group (as applicable) which enters into a loan agreement with the Company under this clause 12 is a person to which the Company will, under applicable Law and relevant Tax Authority published practice as at the date of entry into such loan agreement, be entitled to make payments of interest without withholding or deduction for or on account of Tax (and for this purpose, it shall be assumed that any necessary procedural formalities are satisfied). This clause 12.10 is without prejudice to the right of any Shareholder under clause 12.4 to refuse or fail to respond to a request made under clause 12.3.

12.11 If required to make a payment under Sections 2.8, 2.9, 6.5 or 6.6 or Article VII of the SAPA or clauses 6, 7, or 8 of the Structuring Considerations Agreement, the GSK Shareholder or the Pfizer Shareholder (as the case may be) may:

(A) subscribe for Deferred Shares for a subscription amount that is equal (on an after Tax basis) to the amount of the relevant payment that it is required to make under any of Sections 2.9, 6.5 or 6.6 or Article VII of the SAPA or clauses 6, 7, or 8 of the Structuring Considerations Agreement, and the Company shall issue and allot such Deferred Shares to such Shareholder; or

(B) make an additional contribution to the Company in respect of the Shares already held by it equal (on an after Tax basis) to the amount of the relevant payment that it is required to make under any of Sections 2.9, 6.5 or 6.6 or Article VII of the SAPA or clauses 6, 7, or 8 of the Structuring Considerations Agreement.

12.12 Each of Pfizer and GSK shall, and shall procure that the relevant members of its Wholly-Owned Group shall, use commercially reasonable efforts to ensure that any amounts payable to any member of Pfizer's Wholly-Owned Group or GSK's Wholly-Owned Group (as applicable) which enters into a loan agreement with the Company under this clause 12 is not treated as a distribution within the meaning of section 1000 CTA 2010 and do not give rise to a counteraction for the Company (or any member of its Group) under the anti-hybrid rules (as defined in the Structuring Considerations Agreement). This clause 12.12 is without prejudice to the right of any Shareholder under clause 12.4 to refuse or fail to respond to a request made under clause 12.3.

13. RESERVED

14. [***]

14.1 Each Shareholder hereby grants to the Company a right of first negotiation in relation to any [***] on the terms set out in this clause 14.

14.2 If at any time during the six year period following the Completion Date any [***] of any member of any Shareholder's Group is or becomes a [***], the relevant Shareholder (the "**[***]**") shall be required to notify the Company in writing of the same reasonably promptly following the [***] (and in any event within 15 Business Days following the [***]), where the "**[***]**" shall mean, [***]:

(A) [***]; or

(B) [***].

The [***] shall provide with such notification a copy of the following:

(i) [***]; and

(ii) [***],

[***].

14.3 Following the service of any such notification (or from the point at which such notification should have been made) in accordance with clause 14.2, the [***] (and each member of its Group) shall not be permitted to (i) proceed with making any application for approval and/or consent in respect of such [***] or (ii) negotiate with a Third Party to dispose of or otherwise transfer or license such [***] unless:

(A) one of the matters referred to in clauses 14.6(A) to 14.6(C) has occurred; or

(B) otherwise agreed in writing between the parties.

14.4 Subject to clause 14.8, no later than 30 days after the date on which the Company receives any notification in accordance with clause 14.2, the Company shall notify the relevant [***] in writing as to whether it is interested in acquiring the relevant [***] (or all rights and interests therein), upon [***].

14.5 Subject to clause 14.8, if the Company notifies the relevant [***] in accordance with clause 14.4 that it is interested in acquiring the relevant [***] (or all rights and interests therein) from the relevant [***] (or any other member(s) of its Group) [***], then, during the [***] period from the date of such notification (the "**[*****]**"):

(A) the relevant [***] shall not (and shall procure that no other member of its Group shall) enter into any discussions or negotiations with any Third Party in relation to the disposal, license or other transfer of, or actually dispose of, license or otherwise transfer (or agree to do so), the relevant [***] (or any rights or interests therein) to any such Third Party; and

(B) the relevant [***] and the Company shall negotiate in good faith with a view to agreeing the terms and conditions upon which the Company (or another member of its Group) shall:

(i) acquire the relevant [***] (or any rights and/or interests therein) from the relevant [***] (or other members of its Group); and

(ii) fund any remaining subsequent costs in connection with [***].

14.6 Subject to clause 14.8, in the event that:

(A) the Company notifies the relevant [***] under clause 14.4 that it is not interested in acquiring the relevant [***] (or all rights and interests therein) from the relevant [***] (or other members of its Group) upon [***];

(B) the Company fails to notify the relevant [***] under clause 14.4 as to whether or not it is interested in acquiring the relevant [***] (or all rights and interests therein) from the relevant [***] (or other members of its Group) upon [***]; or

(C) the [***] expires and the Company and the relevant [***] (or the other relevant member(s) of their respective Groups) have not entered into a binding agreement in relation to the acquisition of the relevant [***] (or all rights and interests therein) and the funding of the costs in connection with [***],

the relevant [***] (and any other member of its Group) shall be free to:

(i) enter into discussions and/or negotiations with any Third Party in relation to the disposal, license or other transfer of the relevant [***] (or all rights and interests therein), and effect such disposal, license or other transfer; and

(ii) notwithstanding the provisions of clause 25, research, develop, manufacture, distribute, market, sell, promote and otherwise commercialise the relevant [***] upon [***] (and, for the avoidance of doubt, both before and in the event the Company exercises its rights hereunder and a binding agreement in relation to the acquisition of the relevant [***] is entered into, the relevant [***] (and any other member of its Group) would be, subject to the provisions of this agreement, including this clause 14, free to research, develop, manufacture, distribute, market, sell, promote and otherwise commercialise the [***] until [***],

and, for the avoidance of doubt, once the right of first negotiation under this clause 14 has operated once in respect of any given [***] it shall not be capable of applying again as a result of subsequent decisions to seek approvals for [***].

14.7 The provisions of clause 8.5 shall apply in relation to those actions or steps as are to be taken by the Company in connection with the process set out in this clause 14.

14.8 Notwithstanding the above provisions of this clause 14, in the event that the relevant [***] does not have the rights in relation to the relevant [***] to comply with the above provisions of this clause 14, the relevant [***] shall be under no obligation to comply with such provisions, but shall use its reasonable endeavours to obtain such rights so as to enable it to do so.

15. RESTRICTIONS ON DEALING WITH SHARES

15.1 No Disposal of any Share shall be permitted, except for a transfer of the entire legal and beneficial interest in such Share:

(A) that is permitted by any of clauses 16 to 21;

(B) in the case of a transfer of A Shares, with the prior written consent of the Pfizer Shareholder (acting in its absolute discretion); or

(C) in the case of a transfer of B Shares, with the prior written consent of the GSK Shareholder (acting in its absolute discretion).

15.2 Except as otherwise agreed between the parties, no Disposal of any B Shares or A Shares pursuant to clause 16 shall be made unless all of the B Shares or A Shares (as the case may be) are Disposed of pursuant to the same transaction as if there were only one holder of B Shares and one holder of A Shares.

15.3 If a Disposal of any Shares is permitted pursuant to this agreement, otherwise than to a member of the transferring Shareholder's Group, the relevant Shareholder must procure that any Shareholder Loans that are owed and outstanding to a member of that Shareholder's Group at the time of transfer shall be transferred to the relevant transferee of those Shares (or a member of its Wholly-Owned Group) at the same time.

16. PERMITTED TRANSFERS

16.1 A Shareholder may transfer all (but not some only) of its Shares to any other body corporate in the same Wholly-Owned Group (a "**Group Transferee**"), provided that (i) such transferring Shareholder notifies the other Shareholder of the proposed transfer, and (ii) the Group Transferee shall first have entered into a Deed of Adherence in the form set out in Schedule 1. In addition, a Shareholder may transfer a portion of its Shares to any Group Transferee with the other Shareholder's prior written consent (not to be unreasonably withheld or delayed), provided that the Group Transferee shall first have entered into a Deed of Adherence in the form set out in Schedule 1, and in such case mechanical revisions will be made to this agreement to reflect such split shareholding (to the extent this agreement does not already provide for more than one GSK Shareholder or Pfizer Shareholder, as applicable).

16.2 A holder of Shares that is a member of GSK's Wholly-Owned Group shall transfer, in a manner permitted by this agreement to a Group Transferee that will remain in GSK's Wholly-Owned Group, all (but not some only) of the Shares held by it before it ceases to be in GSK's Wholly-Owned Group. A holder of Shares that is a member of Pfizer's Wholly-Owned Group shall transfer, in a manner permitted by this agreement to a Group Transferee that will remain in Pfizer's Wholly-Owned Group, all (but not some only) of the Shares held by it before it ceases to be in Pfizer's Wholly-Owned Group.

16.3 The transferor and the proposed transferee of any Shares proposed to be transferred under this clause 16 and the relevant Shareholder shall each provide to any other Shareholder at their own expense any information and evidence reasonably requested in writing by such other Shareholder for the purpose of determining whether the proposed transfer to the proposed transferee complies with the terms of this clause 16.

16.4 Without prejudice to clause 16.1, any Shareholder that transfers its Shares pursuant to this clause 16 shall procure that its relevant Group Transferee complies with the provisions of this agreement and the Structuring Considerations Agreement.

17. EXIT

GSK Separation Rights

17.1 At any time on or after the Completion Date, the GSK Shareholder may, subject to clause 17.14(A), clause 17.28 and clause 21, require, by written notice given to the Pfizer Shareholder, an Admission to take place in accordance with the terms of this agreement and the Structuring Considerations Agreement, with such notice being a "**GSK Separation Initiation Notice**" and the corresponding Admission transaction being a "**GSK-Initiated Listing Transaction**". For the avoidance of doubt:

(A) statements of intention or prospective possibilities made by GSK or any of its Affiliates in or in connection with GSK's public disclosures or reported financial statements shall not constitute a GSK Separation Initiation Notice for the purposes of this clause 17.1; and

(B) no consent shall be required from Pfizer or the Pfizer Shareholder in respect of, and they shall have no right of veto over or right of objection in respect of, any GSK-Initiated Listing Transaction in accordance with the terms of this agreement and the Structuring Considerations Agreement, and Pfizer and the Pfizer Shareholder shall be obliged, subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, to assist in the implementation of any GSK-Initiated Listing Transaction (regardless of whether the Pfizer Shareholder elects to Demerge and/or Market any of its Admission Shares in connection therewith).

17.2 The GSK Separation Initiation Notice shall include details of each Recognised Stock Exchange in respect of which Admission is intended or being considered, it being acknowledged that, without prejudice to clause 17.29(A) or (B), the definitive selection of the Recognised Stock Exchange(s) on which Admission of the Admission Shares will take place shall be communicated in the GSK Separation Plan Notice delivered pursuant to clause 17.4.

17.3 Following service of the GSK Separation Initiation Notice, the GSK Shareholder shall procure the appointment by the Company pursuant to clause 17.29(C) of one or more investment banks of international repute to advise in connection with the proposed GSK-Initiated Listing Transaction (the "**Initial GSK Investment Banks**"), and the GSK

Shareholder shall procure that within [***] Business Days of the date of the GSK Separation Initiation Notice, the Initial GSK Investment Banks shall have determined and communicated to the GSK Shareholder and the Pfizer Shareholder its or their joint, as the case may be, assessment of the following matters in relation to each Recognised Stock Exchange specified in the GSK Separation Initiation Notice:

(A) the maximum interest in Admission Shares (expressed as a percentage of the entire issued ordinary share capital of the prospective Admission Entity) that, if marketed and sold for cash in an initial public offering of Admission Shares, would not reasonably be expected to result in the sale price in such offering needing to be discounted by more than is customary for an initial public offering of a company such as the Admission Entity (such percentage interest being the "**Maximum Sale Stake**"). For the avoidance of doubt, when making this determination, the Initial GSK Investment Banks shall assume that neither Shareholder would effect a Demerger of any Admission Shares as part of the Listing Transaction;

(B) the expected Free Float Minimum Level applicable to that Recognised Stock Exchange (expressed as a percentage of the entire issued ordinary share capital of the prospective Admission Entity). Where practicable, the assessment of the Free Float Minimum Level by the Initial GSK Investment Banks shall be based on such confidential preliminary guidance as is available from the relevant Recognised Stock Exchange and/or listing authority for such Recognised Stock Exchange, including in relation to the ability to access derogations from any stated requirements of the applicable rules and regulations of the relevant Recognised Stock Exchange and/or any relevant listing authority for such Recognised Stock Exchange; and

(C) the per Share price at which a stake of the same scale as the Free Float Minimum Level could be sold in an initial public offering, such price to be calculated and determined (i) in accordance with customary and current valuation methodologies and techniques, including multiples from any Peer Companies, and (ii) on the basis that no shares other than the stake comprising the Free Float Minimum Level would be Marketed in such offering (which, for the avoidance of doubt, shall be without prejudice to the ultimate pricing determinations made in accordance with clause 17.29(D)),

such determination constituting the "**Initial GSK Bank Assessment**".

17.4 No later than [***] Business Days after the date of communication to the GSK Shareholder and the Pfizer Shareholder of the Initial GSK Bank Assessment pursuant to clause 17.3, the GSK Shareholder shall notify the Pfizer Shareholder of the following:

(A) the amount of the GSK Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Market, provided that it shall not be entitled to specify an amount that exceeds the Maximum Sale Stake for the relevant Recognised Stock Exchange(s) specified pursuant to clause 17.4(C) below;

(B) the amount of the GSK Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Demerge (on which, for the avoidance of doubt, there shall be no limit); and

(C) without prejudice to clause 17.29(A) or (B), the identity of the Recognised Stock Exchange(s) on which Admission of the Admission Shares will take place,

provided that the GSK Shareholder shall ensure that the aggregate amount of Admission Shares specified by it pursuant to sub-clauses (A) and (B) shall be sufficient to satisfy the expected Free Float Minimum Level applicable to the relevant Recognised Stock Exchange(s) specified in paragraph (C), with such notification being a "**GSK Separation Plan Notice**".

17.5 Consistent with the terms and conditions of the Structuring Considerations Agreement, in addition to the items required by clause 17.4, the GSK Separation Plan Notice shall set out in reasonable detail any then-current proposals for the structure and process of the GSK-Initiated Listing Transaction, including any then-current proposals regarding the identity, jurisdiction of incorporation or features of the holding company of the Business (whether the Company or another entity and whether already established or to be established) to be Admitted (the "**Admission Entity**"), provided that, for the avoidance of doubt and in accordance with clause 17.29, the GSK Shareholder may alter any such proposals (save to the extent the Structuring Considerations Agreement provides otherwise).

17.6 In the event that no GSK Separation Plan Notice is delivered on or prior to the deadline specified in clause 17.4, the subsisting GSK-Initiated Listing Transaction shall be deemed abandoned.

17.7 No later than [***] Business Days after the date of receipt of the relevant GSK Separation Plan Notice, the Pfizer Shareholder shall notify the GSK Shareholder (such notice being a "**Pfizer Separation Response**") whether and (subject always to the limits specified in clause 17.8) to what extent (if any) the Pfizer Shareholder intends to Demerge and/or Market any of its Admission Shares pursuant to the GSK-Initiated Listing Transaction. For the avoidance of doubt, the Pfizer Shareholder shall not be obliged to Demerge or Market any of its Admission Shares in any GSK-Initiated Listing Transaction.

17.8 The Pfizer Separation Response shall specify the following:

(A) the amount of the Pfizer Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Market, provided that the specified percentage stake shall not exceed the greater of:

(i) the Maximum Sale Stake (for the relevant Recognised Stock Exchange(s)) less the percentage stake specified in the GSK Separation Plan Notice as intended to be Marketed by the GSK Shareholder; and

(ii) "P" per cent. of the Maximum Sale Stake (for the relevant Recognised Stock Exchange(s)), where "P" is the number of B Shares held by the Pfizer Shareholder expressed as a percentage of the aggregate number of all of the A Shares and B Shares. In the event that this limitation (ii) applies, the percentage stake specified in the GSK Separation Plan Notice as intended to be Marketed shall be deemed to be reduced to the extent required to give effect to this clause 17.8(A)(ii); and

(B) the amount of the Pfizer Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Demerge (on which, for the avoidance of doubt, there shall be no limit).

17.9 In the event that no Pfizer Separation Response is delivered prior to the deadline specified in clause 17.7, or if the Pfizer Separation Response does not respect the limits set out in clause 17.8 or does not otherwise meet the requirements of that clause (and no revised response is delivered within five Business Days of the GSK Shareholder notifying the Pfizer Shareholder of such failure to respect such limits or requirements), the Pfizer Shareholder shall be deemed to have not requested to Market or Demerge any of its Admission Shares in the GSK-Initiated Listing Transaction. In the event that the Pfizer Shareholder does not request (or is deemed to have not requested) to Market or Demerge any Admission Shares in the GSK-Initiated Listing Transaction, the Pfizer Shareholder shall still be required, for the avoidance of doubt, to provide all reasonable and necessary assistance in relation to the GSK-Initiated Listing Transaction and otherwise comply with the provisions of this agreement and the Structuring Considerations Agreement in relation to it.

17.10 Following service of the GSK Separation Initiation Notice, in the event that, for any reason, the aggregate of the Admission Shares to be Marketed and/or Demerged by the GSK Shareholder and the Pfizer Shareholder is not sufficient to satisfy the definitive determination of the Free Float Minimum Level by the applicable Recognised Stock Exchange(s) and/or listing authority for such Recognised Stock Exchange(s), the GSK Shareholder shall be obliged to increase the level of Marketing and/or Demerger of the GSK Shareholder's Admission Shares to the extent required to meet such definitive Free Float Minimum Level, subject always to the then applicable limitations regarding allocation of the Maximum Sale Stake under clause 17.8(A), clause 17.11(B) and clause 17.11(C)) and provided always that the aggregate amount of Admission Shares to be Marketed shall not exceed the Maximum Sale Stake (including as it is, or may be, revised pursuant to clause 17.11(C)).

17.11 Following the delivery or deemed service of the Pfizer Separation Response, the parties shall be obliged to proceed with the GSK-Initiated Listing Transaction on and subject to the terms and conditions of this agreement and the Structuring Considerations Agreement and shall take (and shall procure that all members of their respective Groups shall take) all necessary actions within their powers to effect the proposed GSK-Initiated Listing Transaction in accordance with, and subject to the terms and conditions of, this agreement and the Structuring Considerations Agreement and on the basis of the GSK

Separation Plan Notice (as supplemented by any Pfizer Separation Response and as otherwise supplemented, amended or varied pursuant to this agreement), provided that, at any point after the date of the GSK Separation Initiation Notice and prior to Admission in respect of any GSK-Initiated Listing Transaction becoming effective (subject to any binding agreements which the parties may enter into in the interim):

(A) the GSK Shareholder may elect, by notice in writing to the Pfizer Shareholder and with immediate effect from the date thereof, to abandon any proposed GSK-Initiated Listing Transaction, in which case such GSK-Initiated Listing Transaction shall not proceed;

(B) subject to (C) below (and save to the extent the Structuring Considerations Agreement provides otherwise):

(i) the GSK Shareholder may elect to revise at any time the level of Demerger and/or Marketing of its Admission Shares set out in the GSK Separation Plan Notice (or as subsequently applying as a result of clause 17.8(A)(ii) or this clause 17.11);

(ii) the GSK Shareholder may elect to revise at any time the allocation of its Admission Shares as between, respectively, Marketing and Demerger; and

(iii) the Pfizer Shareholder may elect to revise the level of Demerger and/or Marketing of its Admission Shares as set out in the Pfizer Separation Response, provided that, the Pfizer Shareholder may not, without the prior written consent of the GSK Shareholder:

(a) make any such revision following the making of the "intention to float announcement" in respect of the proposed Admission, unless after such announcement the GSK Shareholder revises (1) the level of Demerger of its Admission Shares, in which case the Pfizer Shareholder shall be entitled (always subject to (b) below) to revise (in the same direction and proportion) the level of Demerger of its Admission Shares, and/or (2) the level of Marketing of its Admission Shares, in which case the Pfizer Shareholder shall be entitled to revise (in either direction and in any amount, but always subject to the provisos below) the level of Marketing of its Admission Shares; or

(b) make an upward revision to the amount of its Admission Shares that it wishes to Demerge if it previously communicated pursuant to the relevant Pfizer Separation Response that it did not wish to Demerge any of its Admission Shares, save that if the GSK Shareholder elects to Demerge some or all of its Admission Shares having previously communicated in the relevant GSK Separation Plan Notice that it did not intend to Demerge any Admission Shares, the Pfizer Shareholder may elect to Demerge some or all of its Admission Shares,

and provided that:

(1) the level of Demerger and/or Marketing of the GSK Shareholder's Admission Shares shall always remain sufficient, together with the level of Demerger and/or Marketing of the Pfizer Shareholder's Admission Shares applying pursuant to clause 17.8 (or as subsequently applying from time to time), to meet the applicable Free Float Minimum Level for the Recognised Stock Exchange(s) on which such Admission Shares are proposed to be Admitted;

(2) no revision made by a Shareholder to the level of Marketing of its Admission Shares shall take effect to the extent that it would cause (I) the level of Marketing of that Shareholder's Admission Shares aggregated with the then-applicable level of Marketing of the other Shareholder's Admission Shares to exceed (II) the Maximum Sale Stake (including as so revised pursuant to clause 17.11(C));

(3) where the Maximum Sale Stake is increased pursuant to clause 17.11(C)(ii), no revision may be made by a Shareholder pursuant to this clause 17.11(B) in respect of any part of such increased Maximum Sale Stake until after the changes to the Shareholders' respective levels of Marketing under clause 17.11(C)(ii) shall have taken effect; and

(4) any revision made by a Shareholder shall take effect for the purposes of this agreement when valid notice of it is given to the Company and the other Shareholder and, accordingly, any revision will only take effect to the extent compliant with this agreement taking account of all prior such revisions in respect of which valid notice has been given;

(C) if (prior to the appointment of global coordinators) the Initial GSK Investment Banks or (following the appointment of global coordinators), the global coordinators appointed in connection with the GSK-Initiated Listing Transaction pursuant to clause 17.29(C), having taken account of the views of any bookrunners appointed in connection with the GSK-Initiated Listing Transaction pursuant to clause 17.29(C), determine and confirm by communication to the GSK Shareholder and the Pfizer Shareholder that, in the context of the relevant

transaction and otherwise in their reasonable joint assessment, the maximum percentage of the entire issued ordinary share capital of the prospective Admission Entity that could reasonably be sold for cash in an initial public offering of the Admission Shares on the relevant Recognised Stock Exchange without the sale price needing to be subject to a discount greater than that which they consider to be customary for an initial public offering of such a company is:

(i) lower than the amount of the Maximum Sale Stake as previously determined and communicated under clause 17.3(A), then the lower amount as specified and communicated pursuant to this clause 17.11(C) shall instead become the "Maximum Sale Stake" for the purposes of this agreement and there shall be a corresponding downward adjustment in the level of Marketing of each Shareholder's Admission Shares (with such adjustment being made *pro rata* to the then-applicable levels of Marketing of their respective Admission Shares); or

(ii) greater than the amount of the Maximum Sale Stake as previously determined and communicated under clause 17.3(A), then the GSK Shareholder shall (in its absolute discretion) determine whether to make a corresponding upward adjustment to the Maximum Sale Stake to a level not greater than the stake as specified and communicated by the Initial GSK Investment Banks (or the global coordinators, as the case may be) pursuant to this clause 17.11(C), and, in the event that the GSK Shareholder elects to make an upward adjustment in the level of the Maximum Sale Stake:

    (a) the amount, as so adjusted, shall instead become the "Maximum Sale Stake" for the purposes of this agreement; and

    (b) each Shareholder shall be entitled, by notice given to the Company and the other Shareholder within 10 Business Days (or in respect of periods after the "intention to float" announcement within 2 Business Days) after the GSK Shareholder's election to make such upwards adjustment, to increase the level of Marketing of its Admission Shares, with each Shareholder being entitled to access the incremental portion of the Maximum Sale Stake *pro rata* to its then-applicable level of Marketing of Admission Shares (and, for the avoidance of doubt, a Shareholder may elect to make all or part of the maximum upwards adjustment to which it is entitled),

provided that, if any reduction of the Maximum Sale Stake pursuant to clause 17.11(C)(i) results in insufficient Admission Shares being Marketed and/or Demerged to satisfy the applicable Free Float Minimum Level, the GSK Shareholder shall be obliged to increase the level of Demerger of its Admission Shares to meet such requirement.

17.12 Subject to the terms and conditions of the Structuring Considerations Agreement, the Shareholders and the Company shall each do (and shall each procure that the members of their respective Groups shall do) all things reasonably necessary and expedient to implement the GSK-Initiated Listing Transaction within 12 months of the date of the GSK Separation Initiation Notice or within such extended period as may apply under clause 17.13 (the applicable period being the "**GSK Separation Execution Period**"), it being expressly acknowledged that:

(A) without prejudice to the parties' obligations under this agreement, the ability of the Shareholders and the Company (and members of their respective Groups) to achieve completion of a Listing Transaction, any Demerger or any sale pursuant to a Marketing depends on matters outside of their control; and

(B) GSK, the GSK Shareholder, the Company and the Admission Entity (and all members of their respective Groups) shall (save to the extent the Structuring Considerations Agreement provides otherwise):

(i) owe no duty or obligation to Pfizer, the Pfizer Shareholder or any member of their respective Groups to ensure that (i) a Listing Transaction, any Demerger or any sale pursuant to any Marketing takes place or is completed, or (ii) any particular price, distribution or investor allocation is achieved on any sale pursuant to any Marketing; and

(ii) have no liability to Pfizer, the Pfizer Shareholder or any member of their respective Groups (save in the case of fraud or wilful default or as expressly contracted for) in respect of (i) any such Listing Transaction, Demerger, Marketing or sale, or (ii) the price, distribution or investor allocation actually achieved on any sale pursuant to any Marketing (provided that the limitation of liability in this sub-clause (ii) shall not restrict or limit any liability under applicable securities or other Laws applying to (a) any untrue statement or alleged untrue statement of a material fact in any shareholder circular, registration statement, prospectus, information statement or other document filed or published pursuant to applicable securities or other Laws in connection with such Listing Transaction, Demerger, Marketing or sale, or (b) any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, other than any such untrue statement or omission made in such document in reliance upon and in conformity with written information furnished by Pfizer or the Pfizer Shareholder specifically for use in such document), and

in the event that the GSK Separation Execution Period expires without a GSK-Initiated Listing Transaction having been completed, the GSK-Initiated Listing Transaction shall be deemed abandoned unless binding agreements for such transaction were signed prior to such expiry and completion then takes place pursuant to them without any uncontemplated extension of any time period applying under those agreements for completion of the transaction.

17.13 In connection with any GSK-Initiated Listing Transaction, the GSK Shareholder may, in its sole discretion, by written communication to the Pfizer Shareholder prior to the date of expiry of the relevant GSK Separation Execution Period, extend any GSK Separation Execution Period by a further six months, such that the GSK Separation Execution Period, as so amended, shall (i) be deemed to expire 18 months from the date of the relevant GSK Separation Initiation Notice and (ii) become the "GSK Separation Execution Period" for the purposes of this agreement; provided that if, after giving effect to any such extension, the GSK Separation Execution Period would end on a date on or after the date falling five years after the Completion Date, it shall not be extended to the extent of any portion of such extension that would fall on or after the date falling five years after the Completion Date (and, for the avoidance of doubt, if the GSK Separation Execution Period would, without giving effect to any such extension, end on a date on or after the date falling five years after the Completion Date, it shall not be extended at all).

17.14 In the event that a GSK-Initiated Listing Transaction is proposed but abandoned (or deemed to be abandoned) in accordance with:

(A) clause 17.6 or clause 17.11(A) at any time on or after the date falling five years after the Completion Date, the GSK Shareholder may not serve a Separation Initiation Notice for a period of 12 months from the date of such abandonment without the prior written consent of the Pfizer Shareholder, and, for the avoidance of doubt, at any time on or after the date falling five years after the Completion Date, the Pfizer Shareholder shall not be so restricted; or

(B) (i) clause 17.12 or clause 17.36, or (ii) clause 17.6 or clause 17.11(A) at any time prior to the date falling five years after the Completion Date, neither the GSK Shareholder nor the Pfizer Shareholder may serve a Separation Initiation Notice for a period of 12 months from the date of such abandonment (provided that, with respect to the Pfizer Shareholder, if such 12 month period would extend beyond the date falling five years after the Completion Date, then the Pfizer Shareholder may serve a Separation Initiation Notice on the later of (i) the date falling five years after the Completion Date and (ii) three months from the date of such abandonment) without the prior written consent of the other, and

if abandoned (or deemed to be abandoned) in accordance with clause 17.6, clause 17.11(A), clause 17.12 or clause 17.36, without prejudice to clause 17.34(G), (i) GSK, the Company and each member of their respective Groups shall have no liability to Pfizer, the Pfizer Shareholder or any member of their respective Groups, and (ii) Pfizer and the Pfizer Shareholder shall not (and shall procure that no member of their respective Groups shall) seek to obtain any financial compensation or other remedy from GSK, the Company or any member of their respective Groups, in each case in connection with such abandonment and in each case save to the extent the Structuring Considerations Agreement provides otherwise.

Pfizer Separation Rights

17.15 At any time on or after the date falling five years after the Completion Date the Pfizer Shareholder may, subject to clause 17.14, clause 17.28 and clause 21, require, by written notice given to the GSK Shareholder, that the process and steps set out in this agreement to achieve an Admission shall take place in accordance with the terms of this agreement, with such notice being a "**Pfizer Separation Initiation Notice**" and the corresponding Admission transaction being a "**Pfizer-Initiated Listing Transaction**". For the avoidance of doubt:

(A) statements of intention or prospective possibilities made by Pfizer or any of its Affiliates in or in connection with Pfizer's public disclosures or reported financial statements shall not constitute a Pfizer Separation Initiation Notice for the purposes of this clause 17.15; and

(B) no consent shall be required from GSK or the GSK Shareholder in respect of, and they shall have no right of veto over or right of objection in respect of, any Pfizer-Initiated Listing Transaction in accordance with the terms of this agreement and the Structuring Considerations Agreement, and GSK and the GSK Shareholder shall be obliged, subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, to assist in the implementation of any Pfizer-Initiated Listing Transaction (regardless of whether the GSK Shareholder elects to Demerge and/or Market any of its Admission Shares in connection therewith).

17.16 Following service of the Pfizer Separation Initiation Notice, the GSK Shareholder shall procure the appointment by the Company of two investment banks of international repute to advise in connection with the proposed Pfizer-Initiated Listing Transaction (with one of such banks being nominated by the Pfizer Shareholder and one by the GSK Shareholder, and such banks being the "**Initial GSK/Pfizer Investment Banks**"), and the Company shall procure that within [***] Business Days of the date of the Pfizer Separation Initiation Notice, the Initial GSK/Pfizer Investment Banks shall have determined and communicated to the GSK Shareholder and the Pfizer Shareholder their joint assessment of the following matters in relation to each Recognised Stock Exchange as the GSK Shareholder shall identify to the Initial GSK/Pfizer Investment Banks within [***] Business Days of the appointment of such Initial GSK/Pfizer Investment Banks pursuant to this clause 17.16 (it being acknowledged that, without prejudice to clause 17.29(A) or (B), definitive selection of the Recognised Stock Exchange(s) on which Admission of the Admission Shares will take place shall be communicated in the later GSK Separation Response):

(A) the Maximum Sale Stake. For the avoidance of doubt, when making this determination, the Initial GSK/Pfizer Investment Banks shall assume that neither Shareholder would effect a Demerger of any Admission Shares as part of the Listing Transaction;

(B) the expected Free Float Minimum Level applicable to that Recognised Stock Exchange (expressed as a percentage of the entire issued ordinary share capital of the prospective Admission Entity). Where practicable, the assessment of the Free Float Minimum Level by the Initial GSK/Pfizer Investment Banks shall be based on such confidential preliminary guidance as is available from the relevant Recognised Stock Exchange and/or listing authority for such Recognised Stock Exchange, including in relation to the ability to access derogations from any stated requirements of the applicable rules and regulations of the relevant Recognised Stock Exchange and/or any relevant listing authority for such Recognised Stock Exchange; and

(C) the per Share price at which a stake of the same scale as the Free Float Minimum Level could be sold in an initial public offering, such price to be calculated and determined (i) in accordance with customary and current valuation methodologies and techniques, including multiples from any Peer Companies, and (ii) on the basis that no shares other than the stake comprising the Free Float Minimum Level would be Marketed in such offering (which, for the avoidance of doubt, shall be without prejudice to the ultimate pricing determinations made in accordance with clause 17.29(D)),

such determination constituting the "**Initial GSK/Pfizer Bank Assessment**" (it being acknowledged and agreed that in circumstances where the Initial GSK/Pfizer Investment Banks are unable to agree a joint assessment by the relevant deadline, the GSK Shareholder shall request that the Chairman of the British Bankers Association nominate an investment bank (applying the principles and mechanics set out in Part A of Schedule 2 *mutatis mutandis* in relation to such nomination) as soon as reasonably practicable after such request, and the Company shall procure that such bank shall determine and communicate as soon as reasonably practicable to the GSK Shareholder and the Pfizer Shareholder its assessment of the matters in respect of which the Initial GSK/Pfizer Investment Banks were asked to provide an assessment pursuant to this clause 17.16 and such assessment by the nominated investment bank shall, when made, then constitute the Initial GSK/Pfizer Bank Assessment).

17.17 No later than [***] Business Days after the date of communication to the GSK Shareholder and the Pfizer Shareholder of the Initial GSK/Pfizer Bank Assessment pursuant to clause 17.16, the Pfizer Shareholder shall notify the GSK Shareholder of the following:

(A) the amount of the Pfizer Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Market, provided that it shall not be entitled to specify an amount that exceeds the Maximum Sale Stake for each Relevant Stock Exchange; and

(B) the amount of the Pfizer Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Demerge (on which, for the avoidance of doubt, there shall be no limit), and

provided that the Pfizer Shareholder shall ensure that the aggregate amount of Admission Shares specified by it pursuant to sub-clauses (A) and (B) shall be sufficient to satisfy the expected Free Float Minimum Level applicable to the Recognised Stock Exchange(s) specified by the GSK Shareholder pursuant to clause 17.16, with such notification being a "**Pfizer Separation Plan Notice**".

17.18 In the event that no Pfizer Separation Plan Notice is delivered on or prior to the deadline specified in clause 17.17, the subsisting Pfizer-Initiated Listing Transaction shall be deemed abandoned.

17.19 On the date of the Pfizer Separation Initiation Notice, the Shareholders shall commence the process for agreement or determination of the Buy-Out Price in accordance with Schedule 2, provided that if the GSK Shareholder determines not to make the election referred to in clause 17.20(A), it shall promptly (and in any event within five Business Days of such determination) notify the Pfizer Shareholder in writing of such determination and the process for agreement or determination of the Buy-Out Price shall not occur or shall terminate, as the case may be.

17.20 No later than [***] Business Days after the later of (i) the date of the communication to the GSK Shareholder and the Pfizer Shareholder of the Initial GSK/Pfizer Bank Assessment and (ii) the date of the agreement or determination of the Buy-Out Price in accordance with clause 17.19 and Schedule 2 (or, if the GSK Shareholder determines not to make the election referred to in clause 17.20(A), no later than [***] Business Days after the date the GSK Shareholder notifies the Pfizer Shareholder in writing of such determination in accordance with clause 17.19), the GSK Shareholder shall notify the Pfizer Shareholder (such notice being a "**GSK Separation Response**") whether it:

(A) elects to purchase, at a per Share price equal to the Buy-Out Price, all (but not some only) of the Pfizer Shareholder's B Shares (it being understood that such election shall be irrevocable); or

(B) intends to Market and/or Demerge any of its Admission Shares pursuant to the Pfizer-Initiated Listing Transaction (in which case, the GSK Shareholder shall indicate the intended level of such Marketing and/or Demerger of its Admission Shares in the GSK Separation Response) which shall always be subject to the limits specified in clause 17.22(B); or

(C) does not (subject to clause 17.24(B)(iii)) intend to Market or Demerge any of its Admission Shares in the Pfizer-Initiated Listing Transaction. For the avoidance of doubt, the GSK Shareholder shall not be obliged to Market or Demerge any of its Admission Shares in any Pfizer-Initiated Listing Transaction.

17.21 In the event that no GSK Separation Response is delivered prior to the deadline specified in clause 17.20, or if the GSK Shareholder fails to make a compliant election pursuant to clause 17.20, or if the GSK Separation Response does not respect the limits set out in clause 17.20 or does not otherwise meet the requirements of that clause (and no revised response is delivered within five Business Days of the Pfizer Shareholder notifying the

GSK Shareholder of such failure to make a compliant election or respect such limits or requirements), the GSK Shareholder will be deemed to have served a notice under clause 17.20(C). In the event that the GSK Shareholder does not elect (or is deemed to have not elected) to purchase all of the Pfizer Shareholder's B Shares and does not request (or is deemed to have not requested) to Market or Demerge any Admission Shares in the Pfizer-Initiated Listing Transaction, subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, the GSK Shareholder shall still be required, for the avoidance of doubt, to provide all reasonable and necessary assistance in relation to the Pfizer-Initiated Listing Transaction and otherwise comply with the provisions of this agreement in relation to it.

17.22 The GSK Separation Response shall specify the following:

(A) if served under clause 17.20(A):

(i) the aggregate consideration payable to the Pfizer Shareholder, which shall be calculated by multiplying the total number of B Shares held by the Pfizer Shareholder by the Buy-Out Price; and

(ii) details, to the extent known, of any consents or approvals expected to be required in order to effect the relevant sale and purchase; and

(B) if served under clause 17.20(B):

(i) the amount of the GSK Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Market, provided that the specified percentage stake shall not exceed the greater of:

(a) the Maximum Sale Stake (for the Recognised Stock Exchange(s) specified pursuant to sub-clause (C) below) less the percentage stake specified in the Pfizer Separation Plan Notice as intended to be Marketed by the Pfizer Shareholder; and

(b) 50 per cent. of the Maximum Sale Stake. In the event that this limitation (b) applies, the percentage stake specified in the Pfizer Separation Plan Notice as intended to be Marketed shall be deemed to be reduced to the extent required to give effect to this clause 17.22(B)(i)(b); and

(ii) the amount of the GSK Shareholder's Admission Shares (if any) (expressed as a percentage stake in the entire issued ordinary share capital of the prospective Admission Entity) that it intends to Demerge, provided that, notwithstanding anything to the contrary contained in this agreement, the GSK Shareholder shall only be permitted to Demerge any of its Admission Shares:

(a) pursuant to a Pfizer-Initiated Listed Transaction if (1) the Pfizer Separation Plan Notice specified an intention to Demerge a non-zero amount of the Pfizer Shareholder's Admission Shares or (2) the Pfizer Shareholder subsequently introduces a Demerger of some of its Admission Shares pursuant to clause 17.24(B); or

(b) following completion of a Pfizer-Initiated Listing Transaction, once a period of six months has expired following such completion;

(C) without prejudice to clause 17.29(A) or (B), the identity of the Recognised Stock Exchange(s) on which Admission of the Admission Shares shall take place; and

(D) whether GSK (or any successor holding company) is required by applicable Law to seek the approval of its shareholders in relation to any aspect of its proposed participation in the Pfizer-Initiated Listing Transaction as contemplated by the GSK Separation Response.

17.23 Following service of the Pfizer Separation Initiation Notice, in the event that, for any reason, the aggregate of the Admission Shares to be Marketed and/or Demerged by the GSK Shareholder and the Pfizer Shareholder is not sufficient to satisfy the definitive determination of the Free Float Minimum Level by the applicable Recognised Stock Exchange(s) and/or listing authority for such Recognised Stock Exchange(s), the Pfizer Shareholder shall be obliged to increase the level of Marketing and/or Demerger of the Pfizer Shareholder's Admission Shares to the extent required to meet such definitive Free Float Minimum Level, subject always to the then applicable limitations regarding allocation of the Maximum Sale Stake under clause 17.22(B), clause 17.24(B) and clause 17.24(C)) and provided always that the aggregate amount of Admission Shares to be Marketed shall not exceed the Maximum Sale Stake (including as it is or may be revised pursuant to clause 17.24(C)).

17.24 Following the delivery or deemed service of the GSK Separation Response:

(A) the parties shall be obliged to proceed with the Pfizer-Initiated Listing Transaction on and subject to the terms and conditions of this agreement, and shall (and shall procure that all members of their respective Groups shall) take all necessary actions within their powers to effect the proposed Pfizer-Initiated Listing Transaction in accordance with, and subject to the terms and conditions of, this agreement and the Structuring Considerations Agreement and on the basis of the Pfizer Separation Plan Notice (as supplemented by any GSK Separation Response and as otherwise supplemented, amended or varied pursuant to this agreement), provided that, at any point after the date of the Pfizer Separation Initiation Notice and prior to Admission in respect of any Pfizer-Initiated Listing Transaction becoming effective (subject to any binding agreements which the parties may enter into in the interim), the Pfizer Shareholder may elect, by notice in writing to the GSK Shareholder and with immediate effect from the date thereof, to abandon any proposed Pfizer-Initiated Listing Transaction, in which case such Pfizer-Initiated Listing Transaction shall not proceed;

(B) subject to (C) below:

(i) the Pfizer Shareholder may elect to revise at any time the level of Demerger and/or Marketing of its Admission Shares set out in the Pfizer Separation Plan Notice (or as subsequently applying as a result of clause 17.22(B)(i)(b) or this clause 17.24);

(ii) the Pfizer Shareholder may elect to revise at any time the allocation of its Admission Shares as between, respectively, Marketing and Demerger; and

(iii) subject to the limitations set forth in clause 17.24(D), the GSK Shareholder may elect to revise the level of Demerger and/or Marketing of its Admission Shares as set out in the GSK Separation Response, provided that, the GSK Shareholder may not, without the prior written consent of the Pfizer Shareholder:

(a) make any such revision following the making of the "intention to float announcement" in respect of the proposed Admission, unless after such announcement the Pfizer Shareholder revises (1) the level of Demerger of its Admission Shares, in which case the GSK Shareholder shall be entitled (always subject to (b) below) to revise (in the same direction and proportion) the level of Demerger of its Admission Shares, and/or (2) the level of Marketing of its Admission Shares, in which case the GSK Shareholder shall be entitled to revise (in either direction and in any amount, but always subject to the provisos below) the level of Marketing of its Admission Shares; or

(b) make an upward revision to the amount of its Admission Shares that it wishes to Demerge if it previously communicated pursuant to the relevant GSK Separation Response that it did not wish to Demerge any of its Admission Shares, save that if the Pfizer Shareholder elects to Demerge some or all of its Admission Shares having previously communicated in the relevant Pfizer Separation Plan Notice that it did not intend to Demerge any Admission Shares, the GSK Shareholder may elect to Demerge some or all of its Admission Shares,

and provided that:

(1) the level of Demerger and/or Marketing of the Pfizer Shareholder's Admission Shares shall always remain sufficient, together with the level of Demerger and/or Marketing of the GSK Shareholder's Admission Shares applying pursuant to clause 17.22 (or as subsequently applying from time to time), to meet the applicable Free Float Minimum Level for the Recognised Stock Exchange(s) on which such Admission Shares are proposed to be Admitted;

(2) no revision made by a Shareholder to the level of Marketing of its Admission Shares shall take effect to the extent that it would cause (I) the level of Marketing of that Shareholder's Admission Shares aggregated with the then-applicable level of Marketing of the other Shareholder's Admission Shares to exceed (II) the Maximum Sale Stake (including as so revised pursuant to clause 17.24(C);

(3) where the Maximum Sale Stake is increased pursuant to clause 17.24(C)(ii), no revision may be made by a Shareholder pursuant to this clause 17.24(B) in respect of any part of such increased Maximum Sale Stake until after the changes to the Shareholders' respective levels of Marketing under clause 17.24(C)(ii) shall have taken effect; and

(4) any revision made by a Shareholder shall take effect for the purposes of this agreement when valid notice of it is given to the Company and the other Shareholder and, accordingly, any revision will only take effect to the extent compliant with this agreement taking account of all prior such revisions in respect of which valid notice has been given;

(C) if (prior to the appointment of global coordinators) the Initial GSK/Pfizer Investment Banks or (following the appointment of global coordinators) the global coordinators appointed in in connection with the Pfizer-Initiated Listing Transaction pursuant to clause 17.29 (C), having taken account of the views of any bookrunners appointed in connection with the Pfizer-Initiated Listing Transaction pursuant to clause 17.29(C)), determine and confirm by communication to the GSK Shareholder and the Pfizer Shareholder that, in the context of the relevant transaction and otherwise in their reasonable joint assessment, the maximum percentage of the entire issued ordinary share capital of the prospective Admission Entity that could reasonably be sold for cash in an initial public offering of the Admission Shares on the relevant Recognised Stock Exchange without the sale price needing to be subject to a discount greater than that which they consider to be customary for an initial public offering of such a company is:

(i) lower than the amount of the Maximum Sale Stake as previously determined and communicated under clause 17.16(A), then the lower amount as specified and communicated pursuant to this clause 17.24(C) shall instead become the "Maximum Sale Stake" for the purposes of this agreement and there shall be a corresponding downward adjustment in the level of Marketing of each Shareholder's Admission Shares (with such adjustment being made *pro rata* to the then-applicable levels of Marketing of their respective Admission Shares); or

(ii) greater than the amount of the Maximum Sale Stake as previously determined and communicated under clause 17.16(A), then the Pfizer Shareholder shall (in its absolute discretion) determine whether to make a corresponding upward adjustment to the Maximum Sale Stake to a level not greater than the stake as specified and communicated by the Initial GSK/Pfizer Investment Banks (or the global coordinators, as the case may be) pursuant to this clause 17.24(C), and, in the event that the Pfizer Shareholder elects to make an upward adjustment in the level of the Maximum Sale Stake:

(a) the amount, as so adjusted, shall instead become the "Maximum Sale Stake" for the purposes of this agreement; and

(b) each Shareholder shall be entitled, by notice given to the Company and the other Shareholder within 10 Business Days (or in respect of periods after the "intention to float" announcement within 2 Business Days) after the Pfizer Shareholder's election to make such upwards adjustment, to increase the level of Marketing of its Admission Shares, with each Shareholder being entitled to access the incremental portion of the Maximum Sale Stake *pro rata* to its then-applicable level of Marketing of Admission Shares (and, for the avoidance of doubt, a Shareholder may elect to make all or part of the maximum upwards adjustment to which it is entitled),

provided that, if any reduction of the Maximum Sale Stake pursuant to clause 17.24(C)(i) results in insufficient Admission Shares being Marketed and/or Demerged to satisfy the applicable Free Float Minimum Level, the Pfizer Shareholder shall be obliged to increase the level of Demerger of its Admission Shares to meet such requirement, and provided further that, in circumstances where the Initial GSK/Pfizer Investment Banks (or the global coordinators, as the case may be) are unable to agree a joint assessment by the relevant deadline, the GSK Shareholder shall request that the Chairman of the British Bankers Association nominate an investment bank (applying the principles and mechanics set out in Part A of Schedule 2 *mutatis mutandis* in relation to such nomination) as soon as reasonably practicable after such request, and the Company shall procure that such bank shall determine and communicate to the GSK Shareholder and the Pfizer Shareholder its assessment of the matters in respect of which the Initial GSK/Pfizer Investment Banks were asked to provide an assessment pursuant to this clause 17.24(C) and such assessment shall, when made, then be the determinative assessment for the purposes of this clause 17.24(C); and

(D) if the GSK Shareholder indicates pursuant to clause 17.22(D) that GSK (or any successor holding company) is required by applicable Law (or wishes to make any revision pursuant to clause 17.24(B) that would cause it to need) to seek the approval of its shareholders in relation to any aspect of its proposed participation in the Pfizer-Initiated Listing Transaction as contemplated by the GSK Separation Response, the Pfizer Shareholder may exercise its right pursuant to clause 17.34(F)(v) to limit GSK's participation in such Pfizer-Initiated Listing Transaction, such that no such approval would be required.

17.25 In the event of delivery of any GSK Separation Response pursuant to clause 17.20(A):

(A) such notice shall form a binding agreement between the Pfizer Shareholder and the GSK Shareholder under which the Pfizer Shareholder shall be obliged to sell, and the GSK Shareholder shall be obliged to purchase, the entire legal and beneficial interest in all (but not some only) of the Pfizer Shareholder's B Shares at the Buy-Out Price on and subject to the terms and conditions of this clause 17.25 and clause 20 and the Structuring Considerations Agreement;

(B) completion of such sale and purchase shall be conditional only upon the obtaining of any:

(i) anti-trust approvals or consents;

(ii) other legal and/or regulatory approvals or consents; and

(iii) shareholder consents (including, without limitation, any approval required from shareholders under the Listing Rules),

in each case, as are mandatorily required by Law in connection with such sale and purchase (such conditions being the "**Pre-Emption Conditions**"). The conditions within sub-clauses (i) and (ii) may be waived, in whole or in part, with the mutual consent of the GSK Shareholder and the Pfizer Shareholder. In the event that it is impracticable to obtain any required approval or consent, the Shareholders agree to conduct good faith discussions and act reasonably to establish an alternative basis for closing the sale and purchase of the Pfizer Shareholder's B Shares, including any carve-out or close-around arrangement (including an arrangement that enables the Pfizer Shareholder's B Shares to be sold at the price required by this agreement, but for any businesses in problematic jurisdictions to continue to be held within a joint venture pending its subsequent transfer to the GSK Shareholder or a member of its Group for nil consideration), in each case to the extent permitted by applicable Law;

(C) the Shareholders shall (and shall procure that each member of their respective Group and members of the Company's Group shall) cooperate with one another (acting reasonably consistent with the terms and conditions of the Structuring Considerations Agreement) with a view to satisfying the Pre-Emption Conditions and completing the sale and purchase as soon as reasonably practicable, and the GSK Shareholder shall, and shall cause the members of its Group to, use all reasonable endeavours to obtain all required consents and approvals as soon as reasonably practicable and:

(i) pending such satisfaction but subject to clause 17.25(G), all work in relation to the Listing Transaction shall be suspended; and

(ii) pending such satisfaction (or, as the case may be, lapse or termination of the sale and purchase agreement resulting from service of the GSK Separation Response), no Listing Transaction shall, notwithstanding any other provision of this agreement (including clause 17.27), take place or be implemented in the meantime, albeit that work in relation to the Listing Transaction may be taking place contemporaneously as provided in clause 17.25(G);

(D) completion of the sale and purchase shall take place (unless another date is mutually agreed by the Shareholders in writing):

(i) if there are any conditions applying in respect of the sale and purchase, on the first Business Day of the first calendar month following the date that is five Business Days after the satisfaction and/or waiver of all such conditions; and

(ii) if there are no such conditions applying, on the first Business Day of the first calendar month following the date that is five Business Days after the date of the GSK Separation Response,

and such completion shall take place in accordance with clause 20;

(E) if any Shareholder or any member of its Group is required by Law to obtain the approval of its shareholders (and/or the shareholders of any member of its Group) as provided in clause 17.25(B)(iii), the relevant shareholder meeting shall be held as soon as reasonably practicable and in any event within [***] Business Days following the date of the GSK Separation Response, and such Shareholder shall use all reasonable endeavours to obtain such approval, including procuring that, save to the extent that the board of GSK (or the relevant member of its Group) determines in good faith (after consultation with its legal counsel) that the same would be inconsistent with its fiduciary duties, the board of GSK or Pfizer (as applicable) (or the relevant member of its Group) makes its Board Recommendation and includes such Board Recommendation in the circular that is prepared and published in connection with such meeting and does not withdraw, withhold, change, amend, qualify or modify in a manner adverse to the other Shareholder, or publicly propose to withdraw, withhold, change, amend, qualify or modify in a manner adverse to the other Shareholder, the Board Recommendation, or make any public announcement or statement inconsistent with the Board Recommendation;

(F) each Shareholder and the Company shall, upon reasonable request by the other Shareholder, procure that:

(i) all necessary information and assistance reasonably required by GSK and/or the GSK Shareholder or Pfizer and/or the Pfizer Shareholder to make and obtain all such anti-trust filings and clearances which are necessary for the completion of the GSK Shareholder's acquisition of all of the Pfizer Shareholder's B Shares shall be provided as soon as reasonably practicable to the requesting Shareholder or, as the case may be, the relevant regulatory authority by members of their respective Groups; and

(ii) all information related to members of GSK's Group, Pfizer's Group or the Company's Group that is required by Law to be included in a shareholder circular and any associated documentation (along with all confirmations of such information as are required by applicable Law) shall be provided as soon as reasonably practicable to the requesting Shareholder or, as the case may be, the relevant regulatory authority by members of their respective Groups;

(G) if, as at the date falling three months after the date of the GSK Separation Response, any applicable condition within clause 17.25(B) remains outstanding (having not been satisfied or, where applicable, waived), and unless otherwise agreed between the GSK Shareholder and the Pfizer Shareholder, the parties shall, contemporaneously with the subsisting sale and purchase process and in case such sale and purchase does not ultimately become unconditional, re-commence the necessary preparatory and implementation work to effect the Pfizer-Initiated Listing Transaction in the manner specified in the Pfizer Separation Plan Notice (as so amended, varied or supplemented from time to time pursuant to this agreement) and the Pfizer Separation Execution Period shall be deemed to be extended by three months such that the Pfizer Separation Execution Period shall expire on the date falling 15 months from the date of the Pfizer Separation Initiation Notice. For the avoidance of doubt, no Admission of Shares (or of any Admission Shares deriving therefrom) which are the subject of a subsisting sale and purchase process may take place prior to the expiry of the period specified in clause 17.25 (H) below; and

(H) if, as at the date that is nine months after the date of the GSK Separation Response, any applicable condition within clause 17.25(B) remains outstanding (having not been satisfied or, where applicable, waived), unless otherwise agreed between the GSK Shareholder and the Pfizer Shareholder, the sale and purchase agreement resulting from the service of the GSK Separation Response shall

lapse and terminate, and the Pfizer-Initiated Listing Transaction shall then be implemented in accordance with this agreement and in the manner specified in the Pfizer Separation Plan Notice (as so amended, varied or supplemented from time to time pursuant to this agreement) and the Pfizer Separation Execution Period shall be deemed to be extended by a further six months such that the Pfizer Separation Execution Period shall expire on the date falling 21 months from the date of the Pfizer Separation Initiation Notice.

17.26 At completion of the sale and purchase pursuant to clause 17.25, the GSK Shareholder shall procure that the Company applies any Readily Available Cash in accordance with Part C of Schedule 2.

17.27 The Shareholders and the Company shall, subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, each do (and shall each procure that the members of their respective Groups shall do) all things reasonably necessary and expedient to (subject to the operation of clause 17.25) implement the Pfizer-Initiated Listing Transaction within 12 months of the date of the Pfizer Separation Initiation Notice (the "**Pfizer Separation Execution Period**") (provided, that in connection with any Pfizer-Initiated Listing Transaction, the Pfizer Shareholder may, in its sole discretion, by written communication to the GSK Shareholder prior to the date of expiry of the relevant Pfizer Separation Execution Period, extend any Pfizer Separation Execution Period by a further six months (in addition to any extension pursuant to clause 17.25), and such period as extended (including any extension pursuant to clause 17.25) shall become the "Pfizer Separation Execution Period" for the purposes of this agreement), it being expressly acknowledged that:

(A) without prejudice to the parties' obligations under this agreement, the ability of the Shareholders and the Company (and members of their respective Groups) to achieve completion of a Listing Transaction, any Demerger or any sale pursuant to a Marketing depends on matters outside of their control;

(B) GSK, the GSK Shareholder, the Company and the Admission Entity (and all members of their respective Groups) shall (save to the extent the Structuring Considerations Agreement provides otherwise) owe no duty or obligation to Pfizer, the Pfizer Shareholder, the Company, the Admission Entity or any member of their respective Groups to ensure that (i) a Listing Transaction, any Demerger or any sale pursuant to any Marketing takes place or is completed or (ii) any particular price, distribution or investor allocation is achieved on any sale pursuant to any Marketing;

(C) Pfizer and the Pfizer Shareholder (and all members of their respective Groups) shall (save to the extent the Structuring Considerations Agreement provides otherwise) owe no duty or obligation to GSK, the GSK Shareholder, the Company, the Admission Entity or any member of their respective Groups to ensure that (i) a Listing Transaction, any Demerger or any sale pursuant to any Marketing takes place or is completed, or (ii) any particular price, distribution or investor allocation is achieved on any sale pursuant to any Marketing;

(D) GSK, the GSK Shareholder, the Company and the Admission Entity (and all members of their respective Groups) shall have no liability (save in the case of fraud or wilful default or as expressly contracted for) to Pfizer, the Pfizer Shareholder or any member of their respective Groups, and Pfizer and the Pfizer Shareholder (and all members of their respective Groups) shall have no liability (save in the case of fraud or wilful default or as expressly contracted for) to GSK, the GSK Shareholder, the Company, the Admission Entity or any members of their respective Groups, in respect of (i) any such Listing Transaction, Demerger, Marketing or sale, or (ii) the price, distribution or investor allocation actually achieved on any sale pursuant to any Marketing (provided that the limitation of liability in this sub-clause (D) shall not restrict or limit any liability under applicable securities or other Laws applying to (a) any untrue statement or alleged untrue statement of a material fact in any shareholder circular, registration statement, prospectus, information statement or other document filed or published pursuant to applicable securities or other Laws in connection with such Listing Transaction, Demerger, Marketing or sale, or (b) any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of Pfizer, the Pfizer Shareholder or any member of their respective Groups, to the extent any such untrue statement or omission is made in such document in reliance upon and in conformity with written information furnished by Pfizer or the Pfizer Shareholder specifically for use in such document)), and

(E) in the event that the Pfizer Separation Execution Period expires without a Pfizer-Initiated Listing Transaction having been completed, the Pfizer-Initiated Listing Transaction shall be deemed abandoned unless binding agreements for such transaction were signed prior to such expiry and completion then takes place pursuant to them without any uncontemplated extension of any time period applying under those agreements for completion of the transaction.

17.28 In the event that a Pfizer-Initiated Listing Transaction is proposed but abandoned (or deemed to be abandoned) in accordance with:

(A) clause 17.18 or clause 17.24(A), the Pfizer Shareholder may not serve a Separation Initiation Notice for a period of 12 months from the date of such abandonment without the written consent of the GSK Shareholder, and, for the avoidance of doubt, the GSK Shareholder shall not be so restricted; or

(B) clause 17.27 or clause 17.36, neither the GSK Shareholder nor the Pfizer Shareholder may serve a Separation Initiation Notice for a period of 12 months from the date of such abandonment without the prior written consent of the other, and

if abandoned (or deemed to be abandoned) in accordance with clause 17.18, clause 17.24(A), clause 17.27 or clause 17.36, without prejudice to clause 17.34(G), (i) Pfizer and each member of its Group shall have no liability to GSK, the GSK Shareholder, the Company or any member of their respective Groups and (ii) GSK, the GSK Shareholder and the Company shall not (and shall procure that no member of their respective Groups shall) seek to obtain any financial compensation or other remedy from Pfizer or any member of its Group, in each case in connection with such abandonment.

Exit Process and Mechanics

17.29 Subject only to the terms of the Structuring Considerations Agreement and this clause 17, GSK and the GSK Shareholder shall (except as specifically set forth below) have absolute discretion from time to time as to the structure and process of any Listing Transaction or Demerger, regardless of (i) the identity of the party who served the relevant Separation Initiation Notice, and (ii) whether or not the GSK Shareholder elects to Market and/or Demerge any of its Admission Shares as part of such Listing Transaction. For the avoidance of doubt (except as specifically set forth below), GSK and the GSK Shareholder, without limitation and in their absolute discretion (save to the extent the Structuring Considerations Agreement provides otherwise), shall be entitled to (and, where specifically noted below, shall be required to):

(A) specify the Recognised Stock Exchange on which primary listing of the Admission Shares shall take place (which shall be drawn from among the Recognised Stock Exchange(s) specified in the GSK Separation Initiation Notice or the instructions referred to in clause 17.16, as the case may be), in which case and to the extent required, the applicable Maximum Sale Stake and Free Float Minimum Level shall be as determined pursuant to the relevant Initial Bank Assessment and, for the avoidance of doubt, shall be subject to amendment, variation and/or supplementation in accordance with this clause 17;

(B) in addition to the Recognised Stock Exchange on which primary listing of the Admission Shares is to take place, specify a Recognised Stock Exchange (or Recognised Stock Exchanges) for the purposes of a secondary or subsidiary listing (it being understood and agreed that if the Admission Entity is to have its primary listing on a Recognised Stock Exchange in the United Kingdom, the Admission Entity shall take such steps as are necessary to establish, concurrently with such Listing Transaction, a Level 2 sponsored ADR program in the United States of America, it being further understood that such ADRs shall be listed on a Recognised Stock Exchange in the United States of America concurrently with such Listing Transaction);

(C) subject to clause 17.16, select and appoint all advisers (including legal advisers), sponsors, bookrunners, agents and underwriters to act for the Company in relation to any Listing Transaction and any Marketing and/or Demerger, provided that:

(i) for the avoidance of doubt, there shall be no requirement for the Initial Investment Banks or the Initial GSK/Pfizer Investment Banks to have (or not to have) any role in relation to later or other aspects of the Listing Transaction and any Marketing and/or Demerger; and

(ii) with respect to any Pfizer-Initiated Listing Transaction, it is acknowledged and agreed that the Pfizer Shareholder shall be entitled to nominate:

(a) one of the two global joint coordinators appointed in connection with such Pfizer-Initiated Listing Transaction (with the other, for the avoidance of doubt, being appointed by the GSK Shareholder); and

(b) 50 per cent. of the slate of bookrunners appointed in connection with such Pfizer-Initiated Listing Transaction (and, for the avoidance of doubt, the GSK Shareholder shall control the appointment of all other bookrunners); and

(iii) with respect to any GSK-Initiated Listing Transaction, it is acknowledged and agreed that:

(a) the GSK Shareholder shall be entitled to nominate (in its absolute discretion) one or more global coordinators in connection with such GSK-Initiated Listing Transaction, provided that the GSK Shareholder agrees to consult in good faith with the Pfizer Shareholder in relation to the identity of such global coordinator(s) and agrees to take into consideration, in good faith, the Pfizer Shareholder's views in respect of such appointment(s); and

(b) the Pfizer Shareholder shall be entitled to nominate a number of additional bookrunners to be appointed in connection with such GSK-Initiated Listing Transaction such that the total number of bookrunners appointed by Pfizer bears approximately the same proportion to the total number of bookrunners (excluding any bookrunners who are also global coordinators) as Pfizer's Percentage Interest (and in no event fewer than one).

For the avoidance of doubt, aside from the appointment of global coordinators and bookrunners who shall handle the process of Marketing and sales pursuant thereto: (1) this clause 17.29(C) is only concerned with the selection and appointment of advisers and others to act for the Company, and (2) nothing in this clause 17.29(C) shall prevent a Shareholder from selecting and appointing such advisers (including legal advisers) as a Shareholder may in its absolute discretion select and appoint to advise it in its own capacity in relation to any Listing Transaction;

(D) specify the pricing of and, in good faith consultation and cooperation with Pfizer, the nature and strategy of, any Marketing and any sale of the Admission Shares in connection with any GSK-Initiated Listing Transaction, provided that, with respect to any Pfizer-Initiated Listing Transaction:

(i) Pfizer shall be entitled to specify the pricing of any Marketing and any sale of Admission Shares; and

(ii) Pfizer and GSK shall otherwise cooperate and consult in good faith to jointly determine the nature and strategy of any Marketing and any sale of the Admission Shares (and provided that a retail offering shall always require the consent of the GSK Shareholder);

(E) determine the identity, structure and/or form of the entity to be the Admission Entity (whether such entity is the Company or a holding company solely for the Business), including (without limitation):

(i) the jurisdiction(s) in which the Admission Entity is to be incorporated and/or resident for Tax purposes;

(ii) the legal form of the Admission Entity;

(iii) the terms of the constitutional documents of the Admission Entity, including (without limitation) that such constitutional documents may include provisions to give effect to a Mandatory Demerger Exchange; and

(iv) the share capital of the Admission Entity, including the number and class of the Admission Shares, provided that the Percentage Interests and preference shares (where applicable) of the GSK Shareholder and the Pfizer Shareholder in the Admission Entity (ignoring any proposed Demerger or Marketing) shall correspond exactly to their respective interests in the Company at the time;

(F) if the Admission Entity is (i) the GSK Shareholder, specify arrangements such that, if the proposed Listing Transaction is implemented, the Pfizer Shareholder shall be entitled to exchange its B Shares for shares in the Admission Entity and (ii) any entity other than the Company or the GSK Shareholder, specify arrangements such that, if the proposed Listing Transaction is implemented, the GSK Shareholder and the Pfizer Shareholder shall be entitled to exchange their Shares in the Company (including A Shares, B Shares and Preference Shares) for shares in the Admission Entity;

(G) implement any reorganisation of the Company's or, if applicable, the Admission Entity's (or any member of such entity's Group's) structure, operations, undertaking or share capital, in each case in order to facilitate (i) the relevant Listing Transaction, including any Demerger, (ii) any anticipated further sell-down or disposal or Demerger of Admission Shares following Admission, and/or (iii) any Mandatory Demerger Exchange, including (without limitation):

(i) any share split, consolidation, redenomination or reclassification of such entity's share capital or bonus issue (paid-up out of reserves) of new ordinary shares to the Shareholders pro rata to their Percentage Interests; or

(ii) any reorganisation, scheme or other step to:

(a) insert any company as the new holding company of the Company's Group or as an intermediate holding company of the Company's Group;

(b) require the Shareholders to transfer their Shares in the Company (or any equity interests in any holding company of the Company from time to time) to another company in exchange for the issue of equity in that company to the Shareholders (in the case of shares in the Admission Entity that are not being Demerged) or to the public shareholders of any Shareholder's ultimate parent company (in the case of shares in the Admission Entity that are being Demerged);

(c) maximise the distributable reserves of the Company (or, if applicable, the Admission Entity) and/or any member of their respective Groups; or

(d) otherwise alter the corporate structure of the Company's Group,

but provided that in all cases the Percentage Interests, preference shares (where applicable) and rights of the GSK Shareholder and the Pfizer Shareholder in the Admission Entity (ignoring any proposed Demerger or Marketing) shall correspond exactly to their respective interests in the Company at the time and each ordinary share issued to each of the GSK Shareholder and the Pfizer Shareholder shall have identical rights and economic entitlements to every other ordinary share and rank equally in all respects with every other ordinary share for all dividends and distributions of capital, and provided further that, in all cases, any Admission Entity that is an entity other than the Company shall not be a historical operating company or be subject to any material legacy liabilities for which it is not indemnified other than those liabilities of the Company and the members of the Company's Group;

(H) determine the Admission Entity's prospective dividend policy for Marketing purposes and as to be disclosed in any prospectus or other materials prepared in relation to the Listing Transaction, provided that:

(i) Pfizer's consent shall be required for any such policy including a dividend pay-out ratio that is less than 30 per cent. or more than 50 per cent. of the Company's Group's aggregate "Adjusted profit attributable to shareholders" (as defined in GSK Group's then most recent consolidated group accounts or, in the event that GSK ceases to present such measure, an equivalent measure calculated in substantially the same manner) for the last four completed quarterly periods in respect of which GSK has published results; and

(ii) for the avoidance of doubt, following Admission, the board of the Admission Entity will be responsible for the setting and operation of the Admission Entity's dividend policy;

(I) determine the governance arrangements, board appointments (including the identity of all directors of the Admission Entity subject to clause 18.1) and remuneration policy for the Admission Entity, subject always to complying with (i) applicable requirements under Law or the rules or applicable governance requirements of the relevant Recognised Stock Exchange (including, if the Admission Entity is listed on a Recognised Stock Exchange in the United Kingdom, the recommendations of the Governance Code, save in any respect (a) that is not material, (b) where compliance would be contrary to the rights of any party under this agreement, or (c) otherwise agreed by the Shareholders), and (ii) the requirements of clause 18.1;

(J) subject to clause 17.30, the GSK Shareholder shall be required to implement arrangements such that, if the proposed transaction is implemented, the Admission Entity's Admission Shares shall be a single class of shares with one vote per share and ranking equally for all dividends and distributions of capital; and

(K)

(i) if the Admission Entity is the GSK Shareholder, the GSK shareholder shall be required (unless otherwise agreed by the Pfizer Shareholder) to implement arrangements such that, if the proposed transaction is implemented, the Pfizer Shareholder shall be entitled to exchange its B Shares for shares representing an exactly corresponding proportionate interest in the Admission Entity; and

(ii) if the Admission Entity is any entity other than the Company or the GSK Shareholder, the GSK Shareholder shall be required (unless otherwise agreed by the Pfizer Shareholder) to implement arrangements such that, if the proposed transaction is implemented, the GSK Shareholder and the Pfizer Shareholder shall be entitled to exchange their Shares in the Company (including A Shares, B Shares and Preference Shares) for shares representing an exactly corresponding proportionate interest in the Admission Entity, and

each of the parties shall do, and shall procure that each member of its Group does, all things reasonably necessary or reasonably requested by the other parties to give effect to the matters set out in this clause 17.29 in accordance with this agreement and the Structuring Considerations Agreement and for the purposes of implementing any Listing Transaction, including any Demerger or Marketing, generally. For the avoidance of doubt,

subject to the terms and conditions of the Structuring Considerations Agreement, GSK and the GSK Shareholder shall have the right and discretion from time to time to make changes in relation to any matter decided by it under this clause 17.29 (and, with respect to the matters that are decided by Pfizer or the Pfizer Shareholder, Pfizer or the Pfizer Shareholder shall have such right).

17.30 The GSK Shareholder shall be entitled to:

(A) exchange its Preference Shares for preference shares (having the same rights and restrictions as the Preference Shares) in the Admission Entity and/or any new holding company from time to time of the Company; and

(B) regardless of whether or not a Listing Transaction process is subsisting at the time, subscribe for additional Preference Shares to the extent required to ensure that, together with the GSK Shareholder's A Shares, the Company remains, at all times after Completion and until consummation of a Demerger, a 75 per cent. subsidiary (within the meaning of section 1154(3) CTA 2010) of GSK, and

following Admission in accordance with the Structuring Considerations Agreement, unless otherwise determined by the GSK Shareholder, the Preference Shares (and/or any preference shares issued and allotted pursuant to clause 17.30, as the case may be) shall remain as unlisted shares of the Admission Entity; provided, that all such Preference Shares (and/or any preference shares issued and allotted pursuant to clause 17.30, as the case may be) will be repurchased by the Admission Entity at a nominal price or otherwise cancelled following a Demerger.

17.31 It is acknowledged and agreed that:

(A) GSK and the GSK Shareholder shall:

(i) consult in good faith with Pfizer and the Pfizer Shareholder, in relation to any of the matters contemplated by this clause 17 or otherwise envisaged to implement any Listing Transaction; and

(ii) provide such information to the Pfizer Shareholder as the Pfizer Shareholder may reasonably request in connection with any Listing Transaction, provided that GSK and the GSK Shareholder shall be under no obligation to give effect to any Pfizer or Pfizer Shareholder requests pursuant to (i) if to do so, in the opinion of GSK or the GSK Shareholder (acting reasonably), would be reasonably likely to give rise to any significant adverse consequences (whether as to the ability to implement or complete any Listing Transaction or otherwise) for GSK's Group, the Company's or the Admission Entity's Group, GSK's shareholders or shareholders in the Admission Entity;

save that this clause 17.31(A) shall not apply in relation to Tax matters as the parties have agreed arrangements in that area pursuant to the Structuring Considerations Agreement; and

(B) each Shareholder shall have the right to participate in all in-person meetings, working group sessions and other substantive discussions which involve investment banks, the Company's legal counsel and/or bookrunners, global coordinators or underwriters engaged as part of any Listing Transaction and which relate to such Listing Transaction and any associated Demerger and/or Marketing.

17.32 Notwithstanding the provisions of clause 4, clause 10, or clause 12 but subject to the terms and conditions of the Structuring Considerations Agreement, following the date of any Separation Initiation Notice the GSK Shareholder may, and prior to the relevant Listing Transaction becoming effective the GSK Shareholder shall, direct the Company to, and the Company shall, incur additional Borrowings (which, for the avoidance of doubt, shall be new Third Party Borrowings by the Company and not the assumption of existing Third Party Borrowings of GSK, Pfizer or any members of their respective Groups) that, after giving effect to such Borrowings, result in a ratio for the Company's Group of Net Debt (excluding any Shareholder Loans as are to be repaid as described below) to Adjusted EBITDA (as defined in GSK's then most recent consolidated group accounts and taken as the aggregate of Adjusted EBITDA of the Company's Group for the last four completed quarterly periods in respect of which GSK has published its own financial results) of between 3.5x and 4.0x (any such incremental Borrowings pursuant to this clause 17.32 being a "**Pre-Separation Recapitalisation**"). For the avoidance of doubt, GSK shall be entitled to determine (in its absolute discretion) the precise level of additional Borrowings within that range. The cash proceeds of such Pre-Separation Recapitalisation shall be applied as follows:

(A) first, to repay any outstanding Shareholder Loans (interest and principal) *pro rata* in the same proportion as the amounts owed, respectively, to each Shareholder (and/or members of its Wholly-Owned Group) bear to the aggregate amount of all Shareholder Loans; and

(B) second, to the extent that, following any such repayment, there remains any Readily Available Cash held by the Company's Group in excess of the Base Cash Amount on the date on which a distribution pursuant to this clause 17.32(B) is to be paid, such excess shall, subject to the limitations in clause 10.3 (and to the payment of any dividend on the Preference Shares that is at that time in arrears), be distributed to the Shareholders in proportion to their Percentage Interests prior to the relevant Listing Transaction becoming effective.

17.33 In the event that, in connection with any Listing Transaction, the aggregate number of the GSK Shareholder's Admission Shares and the Pfizer Shareholder's Admission Shares proposed to be Marketed (the "**Marketed Shares**") at any time is less than the applicable Maximum Sale Stake, either Shareholder may request that the parties shall, and if so requested the parties shall, enter into good faith discussions as to whether:

(A) a potential Marketing and Admission of new shares in the Admission Entity ("**New Shares**") should then be part of the Listing Transaction; and

(B) the amount of Borrowings incurred as part of the Pre-Separation Recapitalisation pursuant to clause 17.32 should then be increased (notwithstanding the limit specified in clause 17.32) by an amount equal to the expected proceeds from any issue of New Shares,

provided that:

(i) the amount of any New Shares shall not exceed the number "Z", where "Z" is the number of Admission Shares representing the applicable Maximum Sale Stake less the aggregate number of Marketed Shares; and

(ii) in the event that the parties are unable to (or (prior to the appointment of the global coordinators) the Initial Investment Banks or (following the appointment of the global coordinators) the global coordinators appointed in connection with the Listing Transaction pursuant to clause 17.29(C), having taken into account the views of any bookrunners appointed in connection with the Listing Transaction pursuant to clause 17.29(C), advise (with the mechanic specified in the final paragraph of clause 17.16 applying to provide a determination if, on a Pfizer-Initiated Listing Transaction, the matter is not the subject of an agreed joint assessment by the relevant banks) that the parties are unlikely to) achieve a sale of Marketed Shares and New Shares in a number equal to the Maximum Sale Stake, any such shortfall shall first be applied to reduce the number of New Shares, and shall only be applied to the Marketed Shares in the event that the number of New Shares is reduced to zero by such application (and in which case any remaining shortfall shall be applied to each Shareholder's interest in the Marketed Shares in accordance with clause 17.34(D)(ii)).

17.34 In the event of a proposed Listing Transaction being pursued in accordance with the terms of this agreement:

(A) each of the parties shall (and shall procure that each member of their respective Groups shall), subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, do all things reasonably necessary, and provide all information and assistance reasonably requested by any Shareholder, to successfully consummate such Listing Transaction on the terms set out in the relevant Separation Plan Notice (as supplemented by any Separation Response or otherwise applying under or pursuant to this agreement from time to time), including (without limitation):

(i) where relevant, entering into deeds of tax covenant with the Admission Entity in the normal form given on demergers;

(ii) procuring the production of a prospectus in respect of (and otherwise procuring) Admission of the Admission Shares, including but not limited to:

(a) procuring that any person who will be a director of the Admission Entity following Admission and who was nominated as such by such party provides all necessary information relating to him or her and takes responsibility as required by applicable Law for that prospectus;

(b) providing all information regarding such party or any member of its Group that is required by Law for that prospectus; and

(c) giving any undertaking or comfort letter (and procuring that members of its Group give any undertakings or comfort letters) required by any sponsors or financial advisers or accountants to the Admission Entity appointed for the purposes of the Admission, provided that it is on customary and reasonable terms;

(iii) the Admission Entity, its directors and proposed directors and the relevant selling Shareholder(s) shall enter into, as applicable, an underwriting agreement with the sponsors and/or financial advisors and/or underwriters on customary terms, and give such representations, warranties, undertakings and indemnities as are customary for an initial public offering and Admission on the relevant Recognised Stock Exchange.

(iv) if the proposed Listing Transaction involves a Demerger in respect of the GSK Shareholder's interests:

(a) at the request of GSK or the GSK Shareholder, taking all reasonable steps to ensure that the Demerger is an exempt distribution (as defined in section 1075 CTA 2010);

(b) providing all information and assistance reasonably requested by GSK or the GSK Shareholder in connection with:

(1) the production of a scheme document and any related documents in connection with any scheme of arrangement undertaken by GSK or any new holding company of GSK's Group, as the case may be, pursuant to part 26 of the CA 2006;

(2) the production of a prospectus and any related documents in relation to shares in any new holding company of GSK's Group;

(3) any reduction of capital or similar step to be undertaken by GSK or any member of its Group, including the production of any documents required in connection with such reduction of capital or similar step; and

(v) if the proposed Listing Transaction involves a Demerger whereby the GSK Shareholder's A Shares in the Company (or in any new holding company of the Company's Group) are to be transferred to an Admission Entity in consideration for the issue of Admission Shares to GSK's (or any new holding company of the GSK's Group's) shareholders, the Pfizer Shareholder exchanging its B Shares in the Company (or in any new holding company of the Company's Group) for Admission Shares in such Admission Entity;

(vi) if the proposed Listing Transaction involves a Demerger in respect of the Pfizer Shareholder's interests, providing all information and assistance reasonably requested by Pfizer or the Pfizer Shareholder in connection with the production of any prospectus or other public document or the filing or effectiveness of any registration statement or other filing required under applicable securities laws, including the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "**Securities Act**") or the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**Exchange Act**") (including any registration statement in respect of a registered exchange offer), and filing and maintaining effectiveness of such registration statement and such other applicable filings for so long as is necessary under the Securities Act or the Exchange Act, as applicable, to effect such Demerger, and taking any other actions required in respect of any such exchange offer and producing any additional public documents, including any ancillary documents thereto, in connection with such transaction or registration;

(B) subject to applicable Law and in accordance with, and subject in all respects to the terms of, the SAPA (as applicable to the Delayed Businesses) and the NEBA (as applicable to the Deferred Closing Businesses), each of the parties shall (and shall procure that each member of their respective Groups shall) cooperate to use all reasonable endeavours to ensure that all Delayed Businesses and all Deferred Closing Businesses are transferred to the Admission Entity or the Admission Entity's Group prior to the publication of any prospectus or other public document required to be published in connection with the proposed Listing Transaction (including any Demerger or possible sale pursuant to a Marketing);

(C) subject to clause 18.1(A), the Shareholders shall procure that, with effect from the Admission of the Admission Shares, (i) if the Admission Entity is listed on a Recognised Stock Exchange in the United Kingdom, each Shareholder which is a shareholder in the Admission Entity following Admission shall enter into a relationship agreement with the Admission Entity in a customary and reasonable form which complies with applicable Law, taking into account the extent of its ownership in the Admission Entity, and (ii) at least half of the board, excluding the chair, of the Admission Entity shall be non-executive directors whom the board of the Admission Entity considers to be independent, and the chair of the board of the Admission Entity shall be independent on appointment (with independence tested against the circumstances set out in provision 10 of the Governance Code, if the Admission Entity is listed on a Recognised Stock Exchange in the United Kingdom) (it being understood that no director, officer or employee of a Shareholder or any member of its Group shall be considered independent (even if such person would be considered independent under the applicable rules of any Recognised Stock Exchange in the United States)), and if the Admission Entity is listed on a Recognised Stock Exchange in the United Kingdom, the Admission Entity shall otherwise comply in all material respects with the recommendations of the Governance Code, save in any respect (a) that is not material, (b) where compliance would be contrary to the rights of any party under this agreement, or (c) otherwise agreed by the Shareholders;

(D) where the GSK Shareholder and the Pfizer Shareholder have each requested the Marketing of some or all of their Admission Shares in the proposed Listing Transaction, the parties shall procure that, following any readjustment in accordance with clauses 17.11(B), 17.11(C), 17.24(B) or 17.24(C):

(i) all of those Admission Shares will be Marketed together; and

(ii) if the investment banks appointed as bookrunners pursuant to clause 17.29(C) advise the Company in writing that the overall level of take-up of the Admission Shares that have been Marketed is less than the number of Admission Shares that such Shareholders have requested to be Marketed (as adjusted in accordance with clause 17.11(B), 17.11(C), 17.24(B) or 17.24(C)), the number of Admission Shares subject to take-up shall be allocated between the Shareholders (*pro rata* in proportion to their respective allocations of Admission Shares pursuant to clause 17.8(A) or 17.22(B), as the case may be (and as adjusted in accordance with clause 17.11(B), 17.11(C), 17.24(B) or 17.24(C)), provided that the Free Float Minimum Level shall always be satisfied;

(E) each Shareholder shall agree to customary arrangements with respect to any of its retained Admission Shares, including a prohibition on the offer, sale, lending, pledging or other disposal of such retained Admission Shares for a period of six months or such longer period as the sponsor and (if applicable) any underwriters advise is appropriate under the circumstances;

(F) if GSK (or any successor holding company) is required by applicable Law to seek the approval of its shareholders in relation to any aspect of a Listing Transaction (including any Demerger or possible sale pursuant to a Marketing):

(i) any such Demerger or sale pursuant to a Marketing shall be conditional upon such approval being obtained and, notwithstanding any other provision of this agreement, the GSK Shareholder shall not be obliged to Demerge or Market any Admission Shares (or take any other action) unless the requisite shareholder approval has been obtained (it being understood that, without limiting clause (v) below, in the case of (i) a Pfizer-Initiated Listing Transaction or (ii) a GSK-Initiated Listing Transaction that was initiated on or after the date falling five years after the Completion Date, if GSK fails to obtain the requisite shareholder approval for any such Demerger or Marketing then provided that Pfizer refrains from completing such Listing Transaction for at least three months after the failure to obtain the requisite shareholder approval, Pfizer shall nevertheless be permitted to Demerge or Market its Admission Shares in connection with such applicable Listing Transaction;

(ii) Pfizer and the Company shall procure that all information on their respective Groups that is reasonably requested by GSK in connection with the production of any shareholder circular or other public document required to be sent by GSK (or any successor holding company) to its shareholders pursuant to the Listing Rules is provided as soon as reasonably practicable (along with any confirmations of such information that are required by applicable Law);

(iii) GSK shall use all reasonable endeavours to obtain such approval, including procuring that, save to the extent that the board of GSK (or the relevant member of its Group) determines in good faith (after consultation with its legal counsel) that the same would be inconsistent with its fiduciary duties, the board of GSK (or the relevant member of its Group) makes its Board Recommendation and includes such Board Recommendation in the circular that is prepared and published in connection with such meeting and does not withdraw, withhold, change, amend, qualify or modify in a manner adverse to Pfizer, or publicly propose to withdraw, withhold, change, amend, qualify or modify in a manner adverse to Pfizer, the Board Recommendation, or make any public announcement or statement inconsistent with the Board Recommendation;

(iv) the timing of aspects of the Listing Transaction shall be co-ordinated (and, if reasonably necessary, any applicable time periods or deadlines under this agreement shall be extended) so that such shareholder approval process of GSK (or any successor holding company) can take place within the expected timeframe of the Listing Transaction and be based on near-final information in respect of the Admission Entity; and

(v) with respect to any Pfizer-Initiated Listing Transaction, Pfizer shall have the right to limit GSK's participation in such Pfizer-Initiated Listing Transaction (including any Demerger or possible sale pursuant to a Marketing) to a level that would not require GSK (or any successor holding company) to seek the approval of its shareholders in relation to such Listing Transaction;

(G) any and all costs and expenses in relation to any Listing Transaction shall be borne by the parties as follows:

(i) in the event that the Listing Transaction is successfully completed in accordance with the terms of this agreement:

(a) save as set out in sub-clause (b) below, the Company shall bear:

(1) all fees, costs and expenses related to achieving Admission, including (without limitation) the costs related to the preparation and publication of any prospectus and all related materials, any related roadshows or presentations and, save to the extent the Structuring Considerations Agreement provides otherwise, any prior or related reorganisation, and any costs and expenses reasonably incurred by a Shareholder in providing cooperation or assistance to the other Shareholder or the Company in connection with a Listing Transaction, and it shall therefore bear any and all fees, costs and expenses incurred for those purposes; and

(2) the stamp duty costs (including, if applicable, any such costs arising pursuant to sections 63, 70, 93 or 96 of the Finance Act 1986 or otherwise arising in respect of ADRs) payable in respect of the transfer of any Shareholder's Admission Shares to the buyer thereof in any sale pursuant to a Marketing (and, for the avoidance of doubt, with the Company bearing such costs even though as a legal matter such stamp duty would be for the account of the purchaser (save that, in circumstances where such arrangements would reasonably be expected to be contrary to applicable Law, such stamp duty costs shall instead be borne by the Shareholders in proportion to their respective interests); and

(b) each Shareholder shall bear any and all fees, costs and expenses arising pursuant to any underwriting agreement entered into in connection with the underwriting of the Admission Shares Marketed as part of the Listing Transaction, in which case such costs and expenses shall be borne by each Shareholder *pro rata* to its interest in the aggregate number of Admission Shares being Marketed (and, for the avoidance of doubt, the Company shall not be liable for any costs or expenses in connection therewith); and

(ii) in the event that, in relation to any Listing Transaction, the relevant Shareholder fails to serve a valid Separation Plan Notice in accordance with clause 17.4 or clause 17.17, as the case may be, resulting in the abandonment of the Listing Transaction, then the Shareholder that served the relevant Separation Initiation Notice shall bear all fees, costs and expenses reasonably incurred by (a) the Company and its Group, and (b) the other Shareholder and its Group, in each case in connection with the abandoned Listing Transaction; and

(iii) in all other circumstances other than those specified in sub-clause (i) or (ii), in the event that the Listing Transaction is abandoned or terminated in accordance with the terms of this agreement:

(a) save as set out in sub-clause (b) below, the Company shall be responsible for all fees, costs and expenses related to the seeking to achieve Admission, including (without limitation) the costs related to the preparation and publication of any prospectus and all related materials, any related roadshows or presentations and, save to the extent the Structuring Considerations Agreement provides otherwise, any prior or related reorganisation, and any costs and expenses reasonably incurred by a Shareholder in providing cooperation or assistance to the other Shareholder or the Company in connection with a Listing Transaction, and it shall therefore bear any and all fees, costs and expenses incurred for those purposes; and

(b) to the extent applicable, each Shareholder shall bear any and all fees, costs and expenses arising pursuant to any underwriting agreement entered into in connection with the underwriting of the Admission Shares Marketed as part of the Listing Transaction, in which case such costs and expenses shall be borne by each Shareholder *pro rata* to its interest in the aggregate number of Admission Shares being Marketed and the Company shall not be liable for any costs or expenses in connection therewith, and

in all such cases, for the avoidance of doubt, save to the extent the Structuring Considerations Agreement provides otherwise, each Shareholder shall bear the entirety of any fees, costs or expenses incurred by that Shareholder in implementing any Demerger, including, without limitation, the implementation of any share capital reduction, restructuring or reorganisation of its structure, operations, undertaking and/or share capital, or the seeking of any shareholder approval, in each case incurred by that Shareholder and/or any member of its Group.

17.35 Without prejudice to any other provision of this agreement, in the event that either the GSK Shareholder or the Pfizer Shareholder is to Demerge any of its Admission Shares, it and the relevant members of its Group (and not the Company or members of its Group) shall be responsible for all matters relating to the arrangements for the Demerger or the distribution of the relevant shares to the relevant shareholders, with the Company or the Admission Entity (and members of its Group) being required only to make available, as provided in this agreement, the relevant shares for such Demerger or distribution by the relevant Shareholder (or the relevant member of its Group).

17.36 Without prejudice to the Shareholders' respective rights pursuant to clause 17.11(A) or clause 17.24(A), the Shareholders may abandon any Listing Transaction, at any stage, by mutual consent, in which case no Separation Initiation Notice may be issued by any Shareholder for a period of 12 months from the date of such abandonment without the prior written consent of all Shareholders.

17.37 Any deadline specified in this clause 17, whether for delivery of a notice or any other matter, may be extended by written agreement of the GSK Shareholder and the Pfizer Shareholder.

17.38 The Pfizer Shareholder (or such Affiliate as it may designate) will be entitled to a payment, by way of compensation, of $200,000,000 (or such lesser amount as, at the time of service of the GSK Separation Response and after taking account of any irrecoverable VAT thereon, is the maximum amount payable by GSK without shareholder approval for such payment being required under the Listing Rules) (the "**Break Payment**") from GSK in the event that the GSK Shareholder (or the relevant member of its Group) is required by Law to obtain the approval of its shareholders (and/or the shareholders of any member of its Group) in connection with any sale and purchase transaction pursuant to clause 17.25 and such approval is not obtained at the relevant shareholder meeting convened for the purpose of obtaining such approval.

17.39 The parties intend, and shall use reasonable efforts to ensure, that the Break Payment, being compensatory in nature, is not and will not be treated for VAT purposes as consideration for a taxable supply for VAT purposes. It is understood that the Break Payment shall be exclusive of VAT, which shall be added thereon as applicable. If GSK is liable to account for VAT on the Break Payment under the reverse charge mechanism, the Break Payment shall not be reduced by the amount of such VAT and GSK shall be responsible for all obligations in accordance with the Laws of the jurisdiction in which the VAT is accountable under the reverse charge mechanism.

The Break Payment shall be paid to the Pfizer Shareholder (or its designated Affiliate) within two Business Days of the Break Payment becoming due and payable pursuant to clause 17.38.

It is further understood and agreed that if the Break Payment becomes due and payable pursuant to clause 17.38, the GSK Shareholder shall no longer have the right to make the election contemplated by clause 17.20(A) with respect to the pending Pfizer-Initiated Listing Transaction or any subsequent Pfizer-Initiated Listing Transaction.

Notwithstanding anything in this agreement to the contrary, in no event shall the GSK Shareholder have the right to make the election contemplated by clause 17.20(A) more than once, and if such sale and purchase is not completed in accordance with clause 17.25, the GSK Shareholder shall thereafter not be entitled to make any such election in connection with the pending Pfizer-Initiated Listing Transaction or any subsequent Pfizer-Initiated Listing Transaction.

17.40 Any reference in this clause 17 or otherwise in this agreement to the GSK Shareholder's Shares or the Pfizer Shareholder's Shares, or to Shares held by the GSK Shareholder or Shares held by the Pfizer Shareholder, as the case may be, shall be deemed to include any Shares held by any member of such Shareholder's Group.

18. POST LISTING RIGHTS AND OBLIGATIONS

18.1 In the event that the Pfizer Shareholder, or any other member of Pfizer's Group, shall remain a shareholder in the Admission Entity following completion of a Listing Transaction:

(A) unless otherwise agreed between the Pfizer Shareholder and the Company and/or the Admission Entity, as the case may be, for so long as the Pfizer Shareholder (or any member of its Group) holds (i) not less than 20 per cent. of the issued ordinary share capital of the Admission Entity, the Pfizer Shareholder may nominate, and the Company shall appoint, two persons as directors of the Company or the Admission Entity (to the extent distinct from the Company), or (ii) less than 20 per cent. but not less than 10 per cent. of the issued ordinary share capital of the Admission Entity, the Pfizer Shareholder may nominate, and the Company shall appoint, one person as a director of the Company or the Admission Entity (to the extent distinct from the Company), in each case pursuant to a customary relationship agreement, save that the rights of the Pfizer Shareholder under this clause 18.1(A) shall not apply to the extent they would prevent a Listing Transaction from taking place or otherwise amount to a breach of Law or the applicable rules of the Recognised Stock Exchanges on which the Admission Entity is listed and any relevant listing authority (in which case the Pfizer Shareholder and the Company and/or the Admission Entity shall cooperate in good faith to find an alternate arrangement that does not prevent such Listing Transaction or otherwise amount to such a breach and that approximates as nearly as possible the rights of the Pfizer Shareholder under this clause 18.1(A));

(B) for the avoidance of doubt, clause 4.1 shall cease to apply and Pfizer shall have no consent right in relation to Borrowings (save to the extent the Structuring Considerations Agreement provides otherwise);

(C) at least half of the board, excluding the chair, of the Admission Entity shall be non-executive directors whom the board of the Admission Entity considers to be independent, and the chair of the board of the Admission Entity shall be independent on appointment (with independence tested against the circumstances set out in provision 10 of the Governance Code) (it being

understood that no director, officer or employee of a Shareholder or any member of its Group shall be considered independent), and if the Admission Entity is listed on a Recognised Stock Exchange in the United Kingdom, the Admission Entity shall otherwise comply in all material respects with the recommendations of the Governance Code, save in any respect (a) that is not material, (b) where compliance would be contrary to the rights of any party under this agreement, or (c) otherwise agreed by the Shareholders; and

(D) prior to the completion of a Listing Transaction following which each of the Pfizer Shareholder and the GSK Shareholder holds Retained Shares, the Pfizer Shareholder and the GSK Shareholder shall enter into the Orderly Marketing Agreement, which agreement shall govern the respective rights and obligations of the Shareholders in respect of sales of Retained Shares following completion of the Listing Transaction.

18.2 Subject to the terms and conditions of this agreement and the Structuring Considerations Agreement, in the event that the GSK Shareholder (or any member of its Group) holds any GSK Retained Shares, or the Pfizer Shareholder (or any member of its Group) holds any Pfizer Retained Shares, the other Shareholder (to the extent still a Shareholder) and the Company or the Admission Entity (to the extent distinct from the Company) shall (and if the Admission Entity is distinct from the Company, the Company shall procure that the Admission Entity shall) provide GSK and the GSK Shareholder or Pfizer and the Pfizer Shareholder, as applicable, with such information and assistance (including customary registration rights pursuant to a registration rights agreement or similar agreement to be entered into on customary terms, which shall in no event limit the number of sales or offerings which either Shareholder may conduct), and including assistance in marketing, road shows and related selling efforts, as they reasonably require in connection with any Disposal of some or all of the GSK Retained Shares or the Pfizer Retained Shares, as applicable, whether by way of sale or Demerger, including (without limitation):

(A) (for a Demerger by GSK only) implementing any reorganisation of the Admission Entity's (or any member of its Group's) structure, operations, undertaking or share capital, in each case in order to facilitate any Demerger, including (without limitation):

(i) any share split, consolidation, re-ordering, redenomination or reclassification of such entity's share capital, including in order to facilitate, without limitation, the creation of distributable reserves, the issue of preference shares or a share-for-share distribution pursuant to a Demerger;

(ii) any reorganisation, scheme or other step to:

(a) insert any company as the new holding company of the Admission Entity's Group or as an intermediate holding company of the Admission Entity's Group (which company may be incorporated under the laws of, and/or resident for Tax purposes in, any jurisdiction reasonably requested by GSK); or

(b) otherwise alter the corporate structure of the Admission Entity's Group; and

(B) if any such sale or Demerger requires the Admission of any such shares, the production of any prospectus or other public document or the filing or effectiveness of any registration statement or other filing required under applicable securities laws, including the Securities Act or the Exchange Act (including any registration statement in respect of a registered exchange offer), including:

(i) the production of a prospectus in respect of (and otherwise procuring) such Admission or the filing and maintaining effectiveness of such registration statement and such other applicable filings for so long as is necessary under the Securities Act or the Exchange Act, as applicable, to effect such sale, Demerger or exchange offer, and taking any other actions required in respect of any such exchange offer; and

(ii) the production of any additional public documents, including any ancillary documents thereto, in connection with such Admission or registration (including in respect of any such exchange offer); and

(C) if GSK intends to Demerge some or all of the GSK Retained Shares:

(i) the issuance of additional preference shares in the Admission Entity to the extent necessary to ensure that GSK or any member of its Group holds 75 per cent. of the CTA Ordinary Share Capital of the Admission Entity immediately prior to consummation of such Demerger, with the rights and restrictions attaching to such preference shares corresponding exactly to the Preference Shares in the Company and without altering the relative ownership by the Pfizer Shareholder and the GSK Shareholder of the ordinary share capital of the Admission Entity; and

(ii) providing all information and assistance reasonably requested by GSK in connection with:

(a) any scheme of arrangement undertaken by GSK or any new holding company of GSK's Group pursuant to part 26 of the CA 2006, including the production of a scheme document and any related documents in connection therewith;

(b) the production of a prospectus and any related documents in relation to shares in any new holding company of GSK's Group; or

(c) any reduction of share capital or similar step to be undertaken by GSK or any new holding company of GSK's Group, including the production of any documents required in connection therewith; and

(D) if GSK intends to Demerge some or all of the GSK Retained Shares in such a way that the GSK Retained Shares to be Demerged are transferred to another entity ("**demergeco**") in consideration for the issue of shares in demergeco ("**demergeco shares**") to GSK's (or any new holding company of GSK's Group's) shareholders:

(i) providing all information and assistance reasonably requested by GSK in connection with the production of a prospectus in respect of any demergeco shares that are to be Admitted; and

(ii) taking all steps reasonably required or reasonably requested by GSK to:

(a) give effect to the Mandatory Demerger Exchange;

(b) ensure that demergeco becomes the ultimate holding company of the Admission Entity's Group; and

(c) ensure that the Admission Shares cease to be Admitted and are de-listed.

18.3 In the event that, immediately following completion of a Listing Transaction, a Shareholder (and/or any member of its Group) holds more than 15 per cent. and less than 50 per cent. of the issued ordinary share capital of the Admission Entity, such Shareholder (and/or any member of its Group) will agree and undertake that, without the prior written consent of the Admission Entity, for a period of three years from the date of completion of any Listing Transaction, such Shareholder shall not (and shall procure that each member of its Group and/or any persons acting on its or their behalf shall not), subject to clause 18.4, directly or indirectly and whether acting alone or in concert with other parties:

(A) acquire or publicly offer to acquire, or cause (other than pursuant to a transfer of Retained Shares by such Shareholder in accordance with this agreement) another person to acquire or publicly offer to acquire, any interest in shares in the Admission Entity or enter into an agreement or arrangement or do any act as a result of which it or any person may acquire an interest in shares in the Admission Entity;

(B) publicly announce or make, or cause another person to publicly announce or make, any offer for or proposal to acquire any shares in the Admission Entity; or

(C) enter into any agreement or arrangement or do any act as a result of which it or any person may become obliged (under the Code or otherwise) to publicly announce or make any public offer for or proposal to acquire all or any shares in the Admission Entity,

and, at Admission, the Shareholders will enter into relevant agreements or instruments with the Admission Entity to such effect.

18.4 The restrictions contained in clause 18.3 shall not apply:

(A) if at any time and for so long as, any Third Party makes, or announces a firm intention to make, a general offer to acquire shares carrying over 50 per cent. of the voting rights (as defined in the Code) in the Admission Entity (or a scheme of arrangement that is implementing a transaction which is subject to the Code) which, in either case, (i) is recommended by the board of the Admission Entity and (ii) has not yet lapsed or been withdrawn;

(B) to any acquisition of an interest in shares in the Admission Entity with the prior written consent of the Company or (if it still holds shares in the Admission Entity) the other Shareholder;

(C) to any acquisition made pursuant to its entitlement under any pre-emptive offer of shares in the Admission Entity (whether or not compliant with statutory requirements) made by the Admission Entity to all holders of shares therein; or

(D) to any acquisition made in order to preserve or reinstate Pfizer's Group or GSK's Group, as applicable, aggregate percentage holding of Admission Entity shares in issue in the event that the Admission Entity issues shares on a non-pre-emptive basis.

18.5 For the purpose of clause 18.3 and clause 18.4 only, "**Admission Entity**" shall mean the Admission Entity and any ultimate holding company thereof from time to time.

18.6 For the avoidance of doubt, upon completion of any Listing Transaction, the provisions of clause 15, clause 16 and clause 25 shall cease to apply.

18.7 Each of the Company, the GSK Shareholder and the Pfizer Shareholder acknowledges and agrees that they shall take all possible action to ensure that, upon completion of any Listing Transaction, the obligations of the Admission Entity to any director or officer of the Admission Entity or any member of the Admission Entity's Group with respect to indemnification or advancement of expenses as set forth in its articles of association or other governing documents, applicable Law or any indemnification agreement to which such director or officer is a party, shall be primary to any Shareholder's or any of its Affiliates' obligation to indemnify or advance expenses to any such Director or director or officer under its governing documents, applicable Law or any indemnification agreement, which shall be secondary, and that neither the Admission Entity nor any member of its Group may seek contribution, reimbursement or indemnification from any such secondary source, and the articles of association or other governing documents of the Admission Entity shall so provide.

19. CALL OPTION

19.1 Subject to clause 21 and the terms and conditions of the Structuring Considerations Agreement, the Call Option may be exercised by the GSK Shareholder at any time during the period beginning on the date falling 15 years after the Completion Date, and the provisions of clause 19.2 shall apply to the exercise of the Call Option.

19.2 The following provisions shall apply in respect of the Call Option:

(A) the "**Call Option**" is the right of the GSK Shareholder to require that the Pfizer Shareholder sells to the GSK Shareholder the entire legal and beneficial interest in all (but not some only) of the Pfizer Shareholder's B Shares at the Buy-Out Price by serving a written notice to that effect on the Pfizer Shareholder (a "**Call Option Notice**");

(B) service of a Call Option Notice shall form a binding agreement between the GSK Shareholder and the Pfizer Shareholder under which the Pfizer Shareholder shall be obliged to sell, and the GSK Shareholder shall be obliged to purchase, the entire legal and beneficial interest in all (but not some only) of the Pfizer Shareholder's B Shares at the Buy-Out Price on and subject to the terms of this clause 19 and clause 20;

(C) completion of such sale and purchase shall be conditional only upon the obtaining of:

(i) anti-trust approvals or consents;

(ii) other legal and/or regulatory approvals or consents; and

(iii) shareholder consents (including, without limitation, any approval required from shareholders under the Listing Rules),

in each case as are mandatorily required by Law in connection with any such sale and purchase (such conditions being the "**Call Option Conditions**"). The conditions within sub-clauses (i) and (ii) may be waived, in whole or in part, with the mutual consent of the GSK Shareholder and the Pfizer Shareholder. In the event that it is impracticable to obtain any required approval or consent, the Shareholders agree to conduct good faith discussions and act reasonably to establish an alternative basis for closing the sale and purchase of the Pfizer Shareholder's B Shares, including any carve-out or close-around arrangement (including an arrangement that enables the Pfizer Shareholder's B Shares to be sold at the price required by this agreement, but for any businesses in problematic jurisdictions to continue to be held within a joint venture pending its subsequent transfer to the GSK Shareholder or a member of its Group for nil consideration), in each case to the extent permitted by applicable Law;

(D) the Shareholders shall (and shall procure that each member of their respective Group and members of the Company's Group shall) cooperate with one another (acting reasonably) with a view to satisfying the Call Option Conditions as soon as reasonably practicable, and the GSK Shareholder shall, and shall cause the members of its Group to, use all reasonable endeavours to obtain all required consents and approvals as soon as reasonably practicable;

(E) if any Shareholder or any member of its Group is required by Law to obtain the approval of its shareholders (and/or the shareholders of any member of its Group) as provided in clause 19.2(C)(iii), the relevant shareholder meeting shall be held as soon as reasonably practicable and in any event within 65 Business Days following the date of the Call Option Notice, and such Shareholder shall use all reasonable endeavours to obtain such approval, including procuring that, save to the extent that the board of GSK (or the relevant member of its Group) determines in good faith (after consultation with its legal counsel) that the same would be inconsistent with its fiduciary duties, the board of GSK or Pfizer (as applicable) (or the relevant member of its Group) makes its Board Recommendation and includes such Board Recommendation in the circular that is prepared and published in connection with such meeting and does not withdraw, withhold, change, amend, qualify or modify in a manner adverse to the other Shareholder, or publicly propose to withdraw, withhold, change, amend, qualify or modify in a manner adverse to the other Shareholder, the Board Recommendation, or make any public announcement or statement inconsistent with the Board Recommendation;

(F) each Shareholder and the Company shall, upon reasonable request by the other Shareholder, procure that:

(i) all necessary information and assistance reasonably required by GSK and/or the GSK Shareholder or Pfizer and/or the Pfizer Shareholder to make and obtain all such anti-trust filings and clearances which are necessary for the completion of the GSK Shareholder's acquisition of all of the Pfizer Shareholder's B Shares shall be provided as soon as reasonably practicable to the requesting Shareholder or, as the case may be, the relevant regulatory authority by members of their respective Groups; and

(ii) all information related to members of GSK's Group, Pfizer's Group or the Company's Group that is required by Law to be included in a shareholder circular and any associated documentation (along with all confirmations of such information as are required by applicable Law) shall be provided as soon as reasonably practicable to the requesting Shareholder or, as the case may be, the relevant regulatory authority by members of their respective Groups;

(G) completion of the sale and purchase shall take place (unless another date is mutually agreed by the Shareholders in writing):

(i) if there are any Call Option Conditions applying in respect of the sale and purchase, [***]:

(a) [***]; and

(b) [***]; or

(ii) [***],

and any such completion shall take place in accordance with clause 20; and

(H) [***].

19.3 Immediately prior to the completion of the sale and purchase pursuant to this clause 19, the GSK Shareholder shall procure that the Company applies any Readily Available Cash in accordance with Part C of Schedule 2.

20. COMPLETION OF SHARE TRANSFERS

20.1 Where this clause 20 applies to the transfer of any Share, the Share shall be transferred free of encumbrances (other than transfer restrictions under applicable securities laws) and with all rights attaching thereto and the transfer shall be governed by the Law of England and Wales.

20.2 On completion of any transfer of Shares under this agreement where this clause 20 applies:

(A) the seller shall deliver to the purchaser a duly executed transfer in favour of the purchaser together with the certificate(s) representing the relevant Shares and a power of attorney in a form and in favour of a person nominated by the purchaser, so as to enable the purchaser, pending registration, to exercise all rights of ownership in relation to the Shares transferred to it including, without limitation, the voting rights;

(B) the purchaser shall pay the relevant cash consideration to the seller for value on the date of completion in such manner as may be agreed between the seller and the purchaser before completion or failing any such agreement by telegraphic transfer in immediately available funds to such bank account as may be notified by the seller to the purchaser;

(C) the seller shall do all such other acts and/or execute all such other documents in a form satisfactory to the purchaser as the purchaser may reasonably require to give effect to the transfer of Shares to it (save, for the avoidance of doubt, the payment of any stamp duty or stamp duty reserve tax required in connection with such transfer which shall be for the account of the purchaser); and

(D) the Company shall, subject to the instrument of transfer being duly stamped, procure that the purchaser shall be registered as the holder of the relevant Shares.

20.3 Where the sale and purchase of Shares under this agreement is of a Shareholder's entire holding of A Shares or B Shares, as the case may be, the other Shareholder shall be entitled to nominate a member of its Group as the purchaser and the provisions of this agreement shall apply *mutatis mutandis*.

21. INTERACTION OF NOTICES

21.1 During any Separation Execution Period:

(A) no Separation Initiation Notice may be served until after the abandonment of the relevant Listing Transaction process and the service of any such notice after any such abandonment shall be subject to the limitations contained in clause 17.14 and clause 17.28; and

(B) where that period is running in respect of a Pfizer-Initiated Listing Transaction, no Call Option Notice may be served in the period from any Pfizer Separation Initiation Notice until the abandonment of the relevant Listing Transaction process.

21.2 When a Call Option Notice has been validly served and/or the resultant process pursuant to the same is subsisting, no Separation Initiation Notice may be served.

21.3 No Separation Initiation Notice, Separation Plan Notice or Separation Response may be withdrawn after it has been made. For the avoidance of doubt, any amendment, variation or supplement to any of the foregoing, or abandonment of any Listing Transaction, in each case in accordance with the terms of this agreement, shall not be considered a "withdrawal" for the purposes of this clause 21.3.

22. EFFECT OF DEED OF ADHERENCE

The parties agree to extend the benefit of this agreement to any person who enters into a Deed of Adherence, but without prejudice to the continuation *inter se* of the rights and obligations of the original parties to this agreement and any other persons who have entered into a Deed of Adherence.

23. SHAREHOLDER UNDERTAKINGS

23.1 Each Shareholder undertakes with the other Shareholder that it will:

(A) comply with each of the provisions of this agreement and the Structuring Considerations Agreement;

(B) exercise its voting rights and other rights as a member of the Company in order (insofar as it is able to do so through the exercise of such rights) to give full effect to the provisions of this agreement and the rights and obligations of the parties as set out in this agreement; and

(C) procure that any Director nominated by it from time to time shall (subject to their fiduciary duties to the Company (but without limiting any obligation of the Shareholders in this agreement)) exercise their voting rights and other powers and authorities in order (insofar as they are able to do so through the exercise of such rights, powers and authorities) to give full effect to the provisions of this agreement and the rights and obligations of the parties as set out in this agreement.

23.2 Any party may give its approval for any matter for which its consent in writing is required pursuant to this agreement:

(A) in writing on behalf of itself; or

(B) in the case of written consent of GSK, in writing signed by any one A Director appointed by the GSK Shareholder or by a vote in favour of a separate and specific directors' resolution on that matter by a majority of the A Directors appointed by the GSK Shareholder voting on such resolution; or

(C) in the case of any written consent by Pfizer, in writing signed by one B Director appointed by the Pfizer Shareholder or by a vote in favour of a separate and specific directors' resolution on that matter by a majority of the B Directors appointed by the Pfizer Shareholder voting in favour of such resolution.

23.3 The parties acknowledge and agree that any insurance policy in respect of directors and officers liability in the name of, or for the benefit of, any member of GSK's Group (a "**GSK D&O Policy**") may also, on its terms, be accessible to certain directors, officers and employees and members of the Company's Group by reason of the level of GSK's Group's interest in the Company. Each of GSK, Pfizer and the Company undertakes to procure that no claims under any GSK D&O Policy are made (other than with the consent of GSK) by:

(A) in the case of GSK (a) any directors, officers or employees of members of its Group, (b) any members of its Group, or (c) any A Director nominated by the GSK Shareholder;

(B) in the case of Pfizer (a) any directors, officers or employees of members of its Group, (b) any members of its Group, or (c) any B Director nominated by the Pfizer Shareholder; or

(C) in the case of the Company, (a) any directors (other than the Directors nominated by the GSK Shareholder or the Pfizer Shareholder), officers or employees of members of its Group, or (b) any members of its Group,

in respect of any given period,

(i) unless and until a claim under any directors and officers liability insurance policy in the name of, or for the benefit of, the Company's Group (the "**Company D&O Policy**") in respect of the same period has been made and has fully extinguished all limits of cover provided thereunder in respect of that claim; or

(ii) unless the Company D&O Policy does not for any reason operate so as to provide cover in respect of such liability.

23.4 Each party warrants to the other parties as follows, save as disclosed in the Seller Disclosure Letter (in respect of Pfizer) or in the Purchaser Parent Disclosure Letter (in respect of GSK):

(A) in relation to the Business, it adheres to high standards of ethics and integrity, and complies with all applicable Anti-Bribery Laws;

(B) it has a code of conduct setting out the standards of ethics of the corporation, and specifically ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures that apply worldwide to all of its employees, subsidiaries, Affiliates and third parties acting for it or on its behalf. Such ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures mandate a robust set of internal controls on its operations around the world, and set rules of conduct for its employees in interactions with healthcare providers and government officials, commercial parties, third parties in general and business development transactions. It provides training to its employees and selected third parties on its ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures;

(C) it has an assurance programme involving the monitoring and auditing of activities to ensure compliance with its ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures and the adequacy of internal controls; and

(D) it regularly reviews its ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures as part of its internal processes of improvement, and benchmarks them against the standards of the industry with the aid of external experts.

23.5 The Company agrees to deliver to each Shareholder on request (but no more than once in each calendar year) a certification in the form set out in Schedule 3.

23.6 The Company shall ensure that all material analysis and reports produced by any member of the Company's Group or professional advice received by any members of the Company's Group in connection with:

(A) any material auditing of the activities of the Company's Group for compliance with its relevant ABAC Policies and Procedures and Manufacture and Promotion Policies and Procedures;

(B) any litigation or arbitration threatened or commenced against any member of the Company's Group which, if successful, on its own or together with any other related procedures or claims would be likely to have a material adverse effect on GSK's Group or Pfizer's Group; and

(C) any violation by any member of the Company's Group of any Law applicable to it which could adversely affect the Business or reputation of the Company's Group in any material respect,

in each case, shall be promptly presented to the Board for its review and consideration and all Directors shall have the opportunity to provide their views to the Board in relation to any such matter and the Company shall ensure that all such views are given due consideration. In the event that any analysis, reports or professional advice referred to in clause 23.6(A) shows that a member(s) of the Company's Group has or has potentially committed a breach of such ABAC Policies and Procedures or Manufacture and Promotion Policies and Procedures (in which case such analysis, reports or professional advice shall be deemed to be material) or in the event that any analysis, reports or professional advice referred to in clauses 23.6(B) and 23.6(C) are presented to the Board and, in any case, such actual or potential breach, litigation, arbitration or violation could have an adverse effect on the compliance position or reputation of a Shareholder's Group, any Director may, on behalf of the relevant Shareholder that nominated him or her, make such reasonable requests for further information to be provided in respect of the same as is reasonably necessary for such Shareholder to establish whether and to what extent any such actual or potential breach, litigation, arbitration or violation has any adverse effect on the compliance position or reputation of such Shareholder's Group. The Company shall be obliged to dedicate a reasonable amount of time (to be judged by the Board acting in good faith) to the collection and gathering of such information pursuant to such request. Subject to applicable Law and to the extent that legal privilege would not be prejudicially affected, any such Director may share any such information with the General Counsel of GSK's Group (in the event that such Director is an A Director) or Pfizer's Group (in the event that such Director is a B Director) and their legal team on a strictly private and confidential basis only, provided that (i) such information is used for the sole purpose of establishing whether and to what extent any such actual or potential breach, litigation, arbitration or violation has any adverse effect on the compliance position or reputation of the relevant Shareholder's Group, and (ii) such information shall not be disclosed to any other person, except as required by Law.

23.7 If the Company, the GSK Shareholder, the Pfizer Shareholder or any member of their respective Groups intends at any time after Completion to inform any Governmental Entity of any investigation or compliance matter which would reasonably be expected to involve, cause or result in any reputational damage or liability to any Shareholder or a member of its Group, the Company or such Shareholder shall (subject always to the requirements of applicable Law), as soon as reasonably practicable before informing such Governmental

Entity of such investigation or compliance matter, give notice of its intention to do so to the relevant Shareholder, setting out such information as is reasonably necessary for the relevant Shareholder to understand the nature of the information that the Company or such Shareholder, as the case may be, intends to provide to such Governmental Entity in relation to such investigation or compliance matter. To the extent the Company or such Shareholder is not able to provide such prior notice, the Company or such Shareholder, as the case may be, shall (subject always to the requirements of applicable Law) seek to limit any substantive information provided to such Governmental Entity in relation to the relevant Shareholder and the conduct of its business prior to Completion until such notice is given, so far as the Company or such Shareholder is reasonably able to do so and subject to any requirements of the Governmental Entity.

24. UNDERTAKINGS BY THE COMPANY

To the extent to which it is able to do so by Law, the Company undertakes with each of the Shareholders that it will comply with each of the provisions of this agreement and the Structuring Considerations Agreement. Each undertaking by the Company in respect of each provision of this agreement shall be construed as a separate undertaking and if any of the undertakings is unlawful or unenforceable the remaining undertakings shall continue to bind the Company.

25. PROTECTIVE COVENANTS

25.1 Subject to clauses 25.2 to 25.9, each Shareholder undertakes with the other Shareholder and with the Company that it will not and that it will procure that no member of its Group will, either alone or in conjunction with or on behalf of any other person:

(A) for a period of three years from the Completion Date, establish, be directly or indirectly engaged in or have an equity interest in any entity or business that is directly or indirectly engaged in any Competing Business in any territory or territories, or assist any other person to do any of the foregoing; or

(B) for a period of six years from the Completion Date (the "**Competing Acquisition Period**"), acquire, or acquire an equity interest in or acquire all or substantially all of the assets of, another entity or business which is directly or indirectly engaged in, whether as all or part only of its business, any Competing Business (all entities and businesses so acquired being the "**Relevant Acquired Undertaking**").

25.2 Nothing in this agreement shall prevent or prohibit a Shareholder (or any member of its Group) from doing, or being subject to, any of the following things:

(A) without prejudice to clause 25.2(B), being the holder of securities in a body corporate if such securities are listed on any stock market or other investment exchange and (i) (in aggregate with all other such securities held by any other members of its Group) such holding does not confer more than 10 per cent. of the votes which could normally be cast at a general meeting of the body corporate, and (ii) such Shareholder (and/or any other members of its Group) does not otherwise Control such body corporate;

(B) acquiring, or acquiring an interest in, or coming to have or hold, a Relevant Acquired Undertaking (whether as a result of a purchase, acquisition, takeover, merger or otherwise), provided that the relevant Shareholder (or member of its Group) complies with the provisions of clauses 25.3 to 25.7;

(C) being upon and as a result of a GSK Strategic Transaction or Pfizer Strategic Transaction occurring (as the case may be and whether such GSK Strategic Transaction or Pfizer Strategic Transaction occurs before or after Completion), directly or indirectly engaged in (or having an equity interest in any entity or business that is directly or indirectly engaged in) any Competing Business, provided that the relevant Shareholder (or member of its Group) complies with the provisions of clauses 25.3 to 25.7;

(D) disposing of (or otherwise transferring) any of its (or any member of its Group's) [***], in each case, only as permitted by, and following compliance with, clause 14, or manufacturing, marketing, distributing, selling or otherwise commercialising any of its (or any member of its Group's) [***];

(E) continuing to own and/or manage and develop in its sole discretion the businesses of any GSK Retained Business or Pfizer Retained Business, as applicable;

(F) owning and operating:

(i) any Delayed Business in accordance with the provisions of the SAPA; and

(ii) any Deferred Closing Business in accordance with the provisions of the NEBA;

(G) in the case of the GSK Shareholder and its Group, owning and operating the Alliance Market Business; and

(H) any matter required by the SAPA.

25.3 During the Competing Acquisition Period, each Shareholder (for itself and on behalf of its Group) hereby grants to the Company a right of first negotiation in relation to any Competing Business referred to in clause 25.2(B) or clause 25.2(C), such right of first negotiation to be on the terms set out in the remainder of this clause 25.

25.4 Within five Business Days of (i) any matter referred to in clause 25.2(B) or (ii) a GSK Strategic Transaction occurring or a Pfizer Strategic Transaction occurring (as the case may be) as referred to in clause 25.2(C), the relevant Shareholder shall notify the Company in writing of the same together with reasonable details thereof.

25.5 Subject to clause 25.8, no later than 30 days after the date on which the Company receives any notification in accordance with clause 25.4, the Company shall notify the relevant Shareholder in writing as to whether it is interested in acquiring the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder (or any other member of its Group).

25.6 Subject to clause 25.8, if the Company notifies the relevant Shareholder in accordance with clause 25.5 that it is interested in acquiring the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder (or any other member of its Group), then, during the [***] period from the date of such notification (the "**Non-Compete ROFN Exclusivity Period**"):

(A) the relevant Shareholder (and any other member of its Group) shall not enter into any discussions or negotiations with any Third Party in relation to the disposal or other transfer of, or actually dispose of or otherwise transfer (or agree to do so), the relevant Competing Business (or any rights or interests therein) to any person outside its Group (save that, where this clause 25.6(A) applies by reason of an event within clause 25.2(C), this clause 25.6(A) shall not restrict or prevent any such actions where the same were already in process (by or at the initiative of the counterparty party to the GSK Strategic Transaction or Pfizer Strategic Transaction transaction) prior to (as the case may be) the GSK Strategic Transaction or the Pfizer Strategic Transaction occurring, or which are reasonably considered by the relevant member of the Shareholder's Group to be required in connection with antitrust matters, clearances, commitments or undertakings in respect of the transaction comprising, as the case may be, the GSK Strategic Transaction or the Pfizer Strategic Transaction); and

(B) the relevant Shareholder and the Company shall negotiate in good faith with a view to agreeing the terms and conditions upon which the Company (or another member of its Group) may acquire the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder (or another member of its Group).

25.7 Subject to clause 25.8, in the event that:

(A) the Company notifies the relevant Shareholder under clause 25.5 that it is not interested in acquiring the relevant Competing Business from the relevant Shareholder (or another member of its Group);

(B) the Company fails to notify the relevant Shareholder under clause 25.5 within the applicable timeframe as to whether or not it is interested in acquiring the relevant Competing Business from the relevant Shareholder (or another member of its Group); or

(C) the Non-Compete ROFN Exclusivity Period expires and the Company and the relevant Shareholder (or the other relevant member(s) of their respective Groups) have not entered into a binding agreement in relation to the acquisition of the relevant Competing Business (or any rights and/or interests therein)

(the date of such notification, in the case of paragraphs (A) and (B), or the date of such expiry, in the case of paragraph (C), being the "**ROFN End Date**"), then the following shall apply:

(D) the relevant Shareholder (and any other member of its Group) shall be free to:

(i) enter into discussions and/or negotiations with a Third Party in relation to the disposal or other transfer of the relevant Competing Business; and

(ii) continue to own and operate the relevant Competing Business (and, for the avoidance of doubt, such ownership and operation shall not be restricted by clause 25.1).

25.8 The provisions of clause 8.5 shall apply in relation to those actions or steps to be taken by the Company in connection with the process set out in clauses 25.5 to 25.7.

25.9 This clause 25 shall not apply:

(A) in the case of the GSK Shareholder, to the members of GSK's Group engaging in the GSK Retained Businesses or any business relating to any product that is (as regards the GSK Shareholder) excluded from the definition of "[***]"; and

(B) in the case of the Pfizer Shareholder, to the members of Pfizer's Group engaging in the Pfizer Retained Businesses or any business relating to any product that is (as regards the Pfizer Shareholder) excluded from the definition of "[***]".

26. CONFIDENTIALITY

26.1 Each party shall treat as confidential all information obtained as a precursor to or as a result of negotiating or entering into or performing this agreement or, in the case of a Shareholder, through its interest in the Company or its Business or its assets and which relates to:

(A) the provisions of this agreement;

(B) the negotiations relating to this agreement;

(C) the subject matter of this agreement;

(D) the Company or members of its Group or their respective businesses or assets (from time to time);

(E) any Shareholder or members of its Group or their respective businesses or assets (from time to time); or

(F) the exercise of a party of its rights under clause 14, clause 16, clause 17, clause 19 or clause 21,

save that clause 26.1(D) shall not apply to the Company.

26.2 Each party shall:

(A) not disclose any such confidential information to any person other than:

(i) a Director nominated by the holders of the class of Shares held by it, or any of its directors or employees whose duties include the management or monitoring of the Business and who needs to know such information in order to discharge his or her duties; or

(ii) other members of its Group (provided, for the purposes of this clause 26.2(A)(ii) only, each of GSK and Pfizer shall be deemed to be members of the Company's Group);

(B) not use any such confidential information other than for the purpose of conducting the Business or managing or monitoring its investment in the Company or in connection with performance of its obligations and the exercise of its rights under this agreement; and

(C) procure that any person to whom such confidential information is disclosed by it complies with the restrictions set out in this clause 26 as if such person were a party to this agreement.

26.3 Notwithstanding the previous provisions of this clause 26, any party may disclose any such confidential information:

(A) if and to the extent required by Law or for the purpose of any judicial or arbitral proceedings;

(B) if and to the extent required by any securities exchange or regulatory or Taxation or other Governmental Entity to which that party or a member of its Group is subject or submits, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, the Panel on Takeovers and Mergers, HMRC, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement for information has the force of law;

(C) to a Tax Authority in connection with the disclosing party's (or a member of its Group's) Tax affairs;

(D) to its and the Company's (or any Admission Entity's) advisers, auditors, actual or proposed debt financiers and bankers, provided they have a duty to keep such information confidential;

(E) to the extent the information has come into the public domain through no fault of that party;

(F) to the extent the party (or parties) to which such information relates has (or have) given prior written consent to the disclosure;

(G) to the extent expressly permitted by this agreement or to the extent it is expressly permitted to do so pursuant to any Transaction Document;

(H) if and to the extent required in connection with any regulatory consent or clearance process required by applicable Law; or

(I) if it was in the possession of a party or any of its advisers (in either case as evidenced by written records) without any obligation of secrecy prior to it being received or held.

26.4 Any party disclosing information pursuant to clauses 26.3(A) or clause 26.3(B) shall (to the extent permitted by Law) take all such steps as may be reasonable and practicable in the circumstances to agree the contents, form and timing of such disclosure with the party (or parties) to whom such information relates before making such disclosure.

26.5 The restrictions contained in this clause 26 shall continue to apply to each party (including any Shareholder who has ceased to hold Shares) without limit in time.

26.6 Notwithstanding the foregoing in this clause 26, to the extent that the SAPA or any other Transaction Document or any other contract pursuant to which a Shareholder or any member of its Group is bound provides that certain information shall be maintained confidential on a basis that is more protective of such information or for a longer period of time than provided for in this clause 26, then the applicable provisions contained in the SAPA or such other Transaction Document or contract shall control with respect thereto but only to the extent such provision is more protective or runs for a longer period of time.

27. ANNOUNCEMENTS

27.1 Other than any announcements agreed by the parties to be made immediately following the execution of the SAPA (and other announcements made prior to Completion in accordance with the SAPA), no announcement or other publication concerning this agreement or the Business or the assets of the Company shall be made by any party or member of its Group (other than the Company) without the prior written approval of the other parties, such approval not to be unreasonably withheld or delayed. Notwithstanding the preceding sentence or anything to the contrary in this agreement, each party may make any announcement as long as the statements contained therein with respect to this agreement and the Business and the assets of the Company are substantially similar to previous announcements with respect to which such party has complied with the provisions of the preceding sentence.

27.2 Notwithstanding clause 27.1, any party or member of its Group may, whenever practicable and permissible after consultation with the other parties (but save that the Company or any member of its Group need only consult where the announcement is outside the ordinary course of business or concerns this agreement), make an announcement concerning this agreement or the Business or the assets of the Company if and to the extent required by:

(A) Law or for the purposes of any judicial or arbitral proceedings; or

(B) any securities exchange or regulatory or Governmental Entity to which that party is subject or submits, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, the Panel on Takeovers and Mergers, HMRC, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement has the force of law.

27.3 The restrictions contained in this clause 27 shall continue to apply to each party (including any Shareholder who has ceased to hold Shares) without limit in time unless otherwise agreed between the parties.

28. TERMINATION

28.1 This agreement shall terminate immediately (except for clause 9, clause 14, clause 17.34(C), clause 17.34(E), clause 18, clause 23.7, clause 26, clause 27, this clause 28, clause 30, clause 33, clause 36 and clause 46 and those provisions expressly stated to continue after termination without limit in time, and without prejudice to any rights or liabilities arising under this agreement prior to such termination to which clause 45 will continue to apply) if either:

(A) (i) only the GSK Shareholder; or (ii) only the Pfizer Shareholder, in each case (if relevant), together with members of its Group, remain holding Shares (not including, for this purpose, Preference Shares) (or shares of any successor entity, holding company or similar reorganised entity the shares of which such Shares may be converted into); or

(B) Admission has occurred in respect of a Listing Transaction.

29. GUARANTEE

29.1 In consideration of the other parties entering into this agreement:

(A) GSK guarantees to the other parties the due and punctual performance of all obligations of the GSK Shareholder and any Group Transferee of the GSK Shareholder (each a "**Guaranteed Party**" of GSK) under this agreement. This guarantee is unconditional and irrevocable; and

(B) Pfizer guarantees to the other parties the due and punctual performance of all obligations of the Pfizer Shareholder and any Group Transferee of the Pfizer Shareholder (each a "**Guaranteed Party**" of Pfizer) under this agreement. This guarantee is unconditional and irrevocable,

with each of GSK and Pfizer being a "**Guarantor**".

29.2 The guarantees set out in clause 29.1:

(A) are continuing guarantees. No payment or other settlement will discharge a Guarantor's obligations until the obligations of all of its Guaranteed Parties have been discharged in full;

(B) are in addition to, and independent of, any other guarantee or security;

(C) may be enforced before any steps are taken against the relevant Guaranteed Party or under any other guarantee or security;

(D) will only be discharged by the discharge in full of the obligations of the relevant Guarantor's Guaranteed Parties; and

(E) will not be discharged by any other action, omission or fact.

29.3 A Guarantor's obligations shall, therefore, not be affected by:

(A) the obligations of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable;

(B) any change, waiver or release of the obligations of any of its Guaranteed Parties;

(C) any concession or time being given to any of its Guaranteed Parties;

(D) the winding-up or reorganisation of any of its Guaranteed Parties;

(E) any change in the condition, nature or status of any of its Guaranteed Parties;

(F) any of the above events occurring in relation to another guarantor or provider of security in relation to the obligations of any of its Guaranteed Parties;

(G) any failure to take, retain or enforce any other guarantee or security;

(H) any circumstances affecting or preventing recovery of amounts expressed to be due by any of its Guaranteed Parties; or

(I) any other matter which might discharge that Guarantor.

29.4 Any receipt from any person other than that Guarantor shall reduce the outstanding balance only to the extent of the amount received.

29.5 Any settlement with, or discharge of, a Guarantor shall be subject to the condition that the settlement or discharge shall be set aside if any prior payment, or any other guarantee or security, in reliance on which that settlement or discharge was made in whole or in part, is set aside, invalidated or reduced. In this event each Guarantor agrees to reimburse each other party for the value of the payment, guarantee or security which is set aside, invalidated or reduced.

29.6 In addition to each Guarantor's obligations as guarantor, each Guarantor agrees that any obligation of any of its Guaranteed Parties under this agreement which may not be enforceable against that Guarantor as guarantor shall be enforceable against that Guarantor as though that Guarantor were the principal obligor in respect of the obligation.

29.7 In the event that a Guaranteed Party fails to perform or breaches any of its obligations under this agreement, the Guarantor of that Guaranteed Party agrees to indemnify each of the other parties for the losses and reasonable expenses (including loss of profit) that party suffers or incurs, or will suffer or incur, as a result. The Guarantor of that Guaranteed Party also agrees to indemnify each other party for all losses and expenses (including loss of profit) arising from any obligation of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable.

29.8 The parties agree that:

(A) neither Guarantor shall have the benefit of any security in respect of this guarantee and indemnity;

(B) neither Guarantor shall:

(i) take the benefit of any right against any of its Guaranteed Parties or any other person in respect of amounts paid under this guarantee and indemnity; or

(ii) claim or exercise against any of its Guaranteed Parties any right to any payment;

(C) any other party may request a Guarantor to submit a proof for amounts due to it by any of its Guaranteed Parties or any other guarantor. Each Guarantor agrees to submit a proof promptly in accordance with this request. All amounts received in respect of this proof shall be held by the Guarantor on trust for the other parties;

(D) notwithstanding any of the other provisions of this agreement, the liability of a Guarantor under this clause 29 shall in no circumstances exceed the liability of the Guaranteed Party whose obligations are guaranteed by that Guarantor; and

(E) the obligations in this clause 29 shall cease to have effect in respect of a Guarantor when the obligations of all of its Guaranteed Parties under this agreement have been discharged in full.

30. ASSIGNMENT

30.1 Without prejudice to clause 16 or clause 17 or clause 22, no party shall, without the prior written consent of the other parties:

(A) assign or purport to assign all or any part of the benefit of, or its rights or benefits under, this agreement (together with any causes of action arising in connection with any of them);

(B) make a declaration of trust in respect of or enter into any arrangement whereby it agrees to hold in trust for any other person all or any part of the benefit of, or its rights or benefits under, this agreement;

(C) sub-contract or enter into any arrangement whereby another person is to perform any or all of its obligations under this agreement;

(D) transfer or charge any of its rights or obligations under this agreement; or

(E) grant, declare, create or dispose of any right or interest in, in whole or in part, this agreement,

and any purported assignment in contravention of this clause 30.1 shall be null and void *ab initio*.

31. VARIATION

31.1 No variation of this agreement shall be valid unless it is in writing and duly executed by or on behalf of all the parties to it.

31.2 If this agreement is varied:

(A) the variation shall not constitute a general waiver of any provisions of this agreement;

(B) the variation shall not affect any rights, obligations or liabilities under this agreement that have already accrued up to the date of variation; and

(C) the rights and obligations of the parties under this agreement shall remain in full force and effect, except as, and only to the extent that, they are so varied.

32. WARRANTIES

32.1 Each of the parties warrants to each other as at the date of this agreement that:

(A) it is validly existing and is a company duly incorporated and registered under the Law of its jurisdiction of incorporation;

(B) it has the legal right and full power and authority to enter into and perform this agreement, which will constitute valid and binding obligations on it in accordance with its terms;

(C) except as referred to in this agreement, it:

(i) is not required to make any announcement, consultation, notice, report or filing; and

(ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this agreement.

33. ENTIRE AGREEMENT

33.1 This agreement, any other Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document together constitute the whole and only agreement between the parties relating to the subject matter of this agreement, any other Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document.

33.2 Each party acknowledges that in entering into this agreement, any other Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document it is not relying upon any pre contractual statement which is not set out in this agreement, any Transaction Document or any other agreement or document entered into by each of the parties in connection with any such document.

33.3 Except in the case of fraud, no party shall have any right of action against any other party to this agreement (or their respective Connected Persons) arising out of or in connection with any pre contractual statement except to the extent that it is repeated in this agreement or in a Transaction Document or in any other agreement or document entered into by each of the parties in connection with any such document.

33.4 Except in the case of fraud and for any liability in respect of a breach of this agreement or any Transaction Document, no party (nor any of its Connected Persons) shall owe any duty of care or have any liability in tort or otherwise to any other party (or its Connected Persons) in relation to the Company and the Business.

33.5 For the purposes of this clause 33, "**pre contractual statement**" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this agreement or any of the other Transaction Documents or in any other agreement or document entered into in connection with any such document (as the case may be) made or given by any person at any time prior to the date of this agreement or any of the other Transaction Documents, except for those contained in any Transaction Document.

33.6 Each party agrees to the terms of this clause 33 on its own behalf and as agent for each of its Connected Persons. The provisions of this clause 33 shall not limit, supersede or otherwise affect any limitation of damages or remedies provisions that are expressly set forth in any Transaction Document.

34. DISPUTE RESOLUTION

34.1 In the event of any deadlock or dispute between the Shareholders or any of their respective Directors arising out of, or in connection with, this agreement, including in relation to an action for which the approval is required pursuant to clause 4, the Shareholders agree to use reasonable endeavours to resolve the matter (acting reasonably and in good faith).

34.2 If one Shareholder serves formal written notice on the other that a deadlock or dispute arising out of or in connection with this agreement, including in relation to an action for which the approval is required pursuant to clause 4, has arisen and the Shareholders are unable to resolve such deadlock or dispute within a period of 21 days of receipt of such notice, then such deadlock or dispute shall be referred to the respective chief executive officers of the respective Shareholders' Groups.

34.3 In the event that the chief executive officers of the respective Shareholders' Groups are unable to resolve the relevant deadlock or dispute within a further period of 21 days of such referral (or such other time as GSK and Pfizer may agree), then the status quo of such matter shall continue to apply.

34.4 This clause 34 shall be without prejudice to clause 45 and shall not restrict or exclude the right of any party to pursue, in accordance with clause 45, any dispute arising out of or in connection with this agreement.

35. CONFLICT WITH ARTICLES OF ASSOCIATION

In the event of any ambiguity or discrepancy between the provisions of this agreement and the Articles of Association or other constitutional documents of a member of the Company's Group, the provisions of this agreement shall prevail as between the parties to the extent of the inconsistency for so long as this agreement remains in force. Each of the parties shall (as applicable) exercise all voting and other rights and powers available to it so as to give effect to the provisions of this agreement and, if necessary, to procure (so far as it is able to do so) any required amendment to the Articles of Association or such other constitutional documents.

36. NOTICES

36.1 A notice under this agreement shall only be effective if it is in writing. E-mail is permitted. Any notice validly served on one member of any Shareholder's Group in accordance with this clause 36 shall be deemed to have been served on each member of such Shareholder's Group.

36.2 Notices under this agreement shall be sent to a party at its address and for the attention of the individual set out below:

Party and title of individual	Address	E-mail
GSK Shareholder		
For the attention of: Company Secretary and General Counsel	Its registered office from time to time	To be provided by notice
with a copy (which shall not constitute notice) to Slaughter and May, for the attention of: [***] and [***]	One Bunhill Row, London, EC1Y 8YY	[***] [***]
Pfizer Shareholder		
For the attention of: General Counsel	Its registered office from time to time	To be provided by notice
with a copy (which shall not constitute notice) to Wachtell, Lipton, Rosen & Katz, for the attention of: [***], [***] and [***]	51 West 52nd Street New York, New York 10019	[***] [***] [***]
GSK		
For the attention of: Company Secretary and General Counsel	Its registered office from time to time	To be provided by notice
with a copy (which shall not constitute notice) to Slaughter and May, for the attention of: [***] and [***]	One Bunhill Row, London, EC1Y 8YY	[***] [***]
Pfizer		
For the attention of: General Counsel	Its registered office from time to time	To be provided by notice

Party and title of individual	Address	E-mail
with a copy (which shall not constitute notice) to Wachtell, Lipton, Rosen & Katz, for the attention of: [***],[***] and [***]	51 West 52nd Street New York, New York 10019	[***] [***] [***]
Company For the attention of: Company Secretary and General Counsel of Consumer Healthcare	Its registered office from time to time	To be provided by notice
with a copy (which shall not constitute notice) to Slaughter and May, for the attention of: [***] and [***]	One Bunhill Row, London, EC1Y 8YY	[***] [***]

Provided that a party may change its notice details on giving notice to the other parties of the change in accordance with this clause 36. That notice shall only be effective on the date falling five clear Business Days after the notification has been received or such later date as may be specified in the notice.

36.3 Any notice given under this agreement shall be deemed to have been duly given as follows:

(A) if delivered personally, on delivery;

(B) if sent by first class inland post, two clear Business Days after the date of posting;

(C) if sent by airmail, six clear Business Days after the date of posting; and

(D) if sent by e-mail, when despatched.

36.4 Despite the provisions of clause 36.3, any Exit Notice shall not be effective until (and the date of such Exit Notice shall be deemed to be that date on which it is) received by the intended recipient and the intended recipient shall acknowledge such receipt to the sender(s) promptly following such receipt.

36.5 Any notice given under this agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Working Hours in such place.

36.6 No notice given under this agreement may be withdrawn or revoked except with the agreement of the other parties.

36.7 The provisions of this clause 36 shall not apply in relation to the service of Service Documents.

37. REMEDIES AND WAIVERS

37.1 No delay or omission by any party to this agreement in exercising any right, power or remedy provided by Law or under this agreement shall:

(A) affect that right, power or remedy; or

(B) operate as a waiver or variation of it.

37.2 The single or partial exercise of any right, power or remedy provided by Law or under this agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

37.3 The rights and remedies of each party under, or pursuant to, this agreement are cumulative, may be exercised as often as such party considers appropriate and are in addition to its rights and remedies under general Law.

37.4 Notwithstanding any express remedies provided under this agreement and without prejudice to any other right or remedy which any party may have, each party acknowledges and agrees that damages alone would not be an adequate remedy for any breach by it of the provisions of this agreement, so that in the event of a breach or anticipated breach of such provisions, the remedies of injunction, an order for specific performance and/or other equitable remedies would be available. Furthermore, each party acknowledges and agrees that it will not raise any objection to the application by or on behalf of another party or any member of its Group for any such remedies.

38. THIRD PARTY RIGHTS

38.1 The parties agree that:

(A) certain provisions of this agreement confer a benefit on members of the parties' respective Groups, their respective Connected Persons and such other Third Parties (each a "**Relevant Third Party**") and, subject to the remaining provisions of this clause 38, are intended to be enforceable by each of the Relevant Third Parties by virtue of the Contracts (Rights of Third Parties) Act 1999, provided that the party in the same Group as (or with the relevant connection to) the Relevant Third Party shall have the sole conduct of any action to enforce such right on behalf of a such Relevant Third Party; and

(B) notwithstanding the provisions of clause 38.1(A), this agreement may be rescinded or varied in any way and at any time by the parties to this agreement without the consent of any Relevant Third Party.

38.2 Save as set out in clause 38.1(A), a person who is not a party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 or any other statutory provision to enforce any of its terms.

39. FURTHER ASSURANCE

Each party shall (and shall use reasonable endeavours to procure that any relevant Third Party shall) at its own cost, from time to time on request, do all acts and/or execute all documents in a form reasonably satisfactory to any other party which that other party may reasonably consider necessary for giving full effect to this agreement and securing to that other party the full benefit of the rights, powers and remedies conferred upon that other party in this agreement, in each case subject to the terms and conditions set forth in this agreement.

40. NO PARTNERSHIP

Other than for United States Tax purposes, nothing in this agreement and no action taken by the parties under this agreement shall constitute a partnership, association or other co-operative entity between any of the parties or constitute any party the agent of any other party for any purpose.

41. COSTS AND EXPENSES

Except as otherwise provided for in this agreement, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this agreement and the other Transaction Documents (and any other document entered into pursuant to this agreement or any such document).

42. INVALIDITY

42.1 If at any time any provision (or part of any provision) of this agreement is or becomes illegal, invalid or unenforceable in any respect under the Law of any jurisdiction, that shall not affect or impair:

(A) the legality, validity or enforceability in that jurisdiction of any other (or the remainder of a) provision of this agreement; or

(B) the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this agreement.

42.2 Each of the provisions of this agreement is severable.

42.3 If and to the extent that any provision of this agreement:

(A) is held to be, or becomes, invalid or unenforceable under the Law of any jurisdiction; but

(B) would be valid, binding and enforceable if some part of the provision were deleted or amended,

then the provision shall apply with the minimum modifications necessary to make it valid, binding and enforceable. All other provisions of this agreement shall remain in force.

43. COUNTERPARTS

43.1 This agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this agreement, but all the counterparts shall together constitute but one and the same instrument.

43.2 Delivery of a counterpart of this agreement by e-mail attachment shall be an effective mode of delivery.

44. LANGUAGE

Each notice or communication under or in connection with this agreement shall be in English.

45. GOVERNING LAW AND JURISDICTION

45.1 This agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

45.2 The courts of England are to have exclusive jurisdiction to settle any dispute arising out of or in connection with this agreement. Any Proceedings shall be brought only in the courts of England.

45.3 Each party waives (and agrees not to raise) any objection, on the ground of forum non conveniens or on any other ground, to the taking of proceedings in the courts of England. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction.

45.4 Each party irrevocably submits and agrees to submit to the jurisdiction of the courts of England.

46. AGENT FOR SERVICE

46.1 Each of Pfizer and the Pfizer Shareholder irrevocably appoints Pfizer Limited, c/o [***], UK Legal Department, Pfizer Ltd (IPC 3-1), Walton Oaks, Dorking Road, Tadworth, Surrey KT20 7NS to be its agent for the receipt of Service Documents. Each such party agrees that any Service Document may be effectively served on it in connection with Proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.

46.2 If the agent at any time ceases for any reason to act as such, Pfizer and the Pfizer Shareholder shall each appoint a replacement agent having an address for service in England or Wales and shall notify the other parties of the name and address of the replacement agent. Failing such appointment and notification, the Company shall be entitled by notice to Pfizer to appoint a replacement agent to act on behalf of Pfizer and the Pfizer Shareholder, provided that Pfizer shall be entitled, by notice to the Company, to replace that agent with a replacement agent having an address for service in England or Wales. The provisions of this clause 46 applying to service on an agent apply equally to service on a replacement agent.

46.3 A copy of any Service Document served on an agent appointed in accordance with clauses 46.1 or 46.2 shall be sent by post to Pfizer or the Pfizer Shareholder (as applicable). Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.

46.4 Without prejudice to clauses 46.1 to 46.3, any Shareholder without an address for service in England or Wales shall appoint, and keep appointed at all times, an agent for service with an address for service in England or Wales and shall notify the other parties and Shareholders of the name and address of its appointed agent for service. Failing such appointment and notification, the Company shall be entitled by notice to such Shareholder to appoint an agent to act on behalf of such Shareholder, provided that such Shareholder shall be entitled, by notice to the parties and other Shareholders, to replace that agent with a replacement agent having an address for service in England or Wales. Such Shareholder agrees that any Service Document may be effectively served on it in connection with Proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.

46.5 "**Service Document**" means a claim form, application notice, order, judgment or other document relating to any Proceedings.

TESTIMONIUM

IN WITNESS of which this agreement has been executed on the date which first appears on the first page above.

SIGNED BY David Redfern /s/ David Redfern
duly authorised for and on behalf of **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED** Signature

SIGNED BY Joseph Dana Hughes /s/ Joseph Dana Hughes
duly authorised for and on behalf of **PFIZER INC.** Signature

SIGNED BY Andrew J. Muratore /s/ Andrew J. Muratore
duly authorised for and on behalf of **PF CONSUMER HEALTHCARE HOLDINGS LLC** Signature

SIGNED BY David Redfern /s/ David Redfern
duly authorised for and on behalf of **GLAXOSMITHKLINE PLC** Signature

SIGNED BY David Redfern /s/ David Redfern
duly authorised for and on behalf of **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS (NO.2) LIMITED** Signature

Exhibit 12.1

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Emma Walmsley, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2020

/s/ Emma Walmsley
Emma Walmsley
Chief Executive Officer

Exhibit 12.2

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Iain Mackay, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2020

/s/ Iain Mackay
Iain Mackay
Chief Financial Officer

Exhibit 13.1

Section 906 Certificate

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of GlaxoSmithKline plc, a public limited company incorporated under English law (the "company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2019 (the "Form 20-F") of the company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: March 6, 2020

/s/ Emma Walmsley
Emma Walmsley
Chief Executive Officer

Date: March 6, 2020

/s/ Iain Mackay
Iain Mackay
Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms F-3 (Nos. 333-223982, 333-223982-01, 333-223982-02, 333-217125, 333-217125-01 and 333-217125-02) of GlaxoSmithKline plc, GlaxoSmithKline Capital, Inc. and GlaxoSmithKline Capital plc and Forms S-8 (No. 333-88966, 333-100388, 333-162702 and 333-235651) of GlaxoSmithKline plc of our report dated 16 March 2018 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
6 March 2020

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-223982, 333-223982-01, 333-223982-02, 333-217125, 333-217125-01 and 333-217125-02 on Form F-3 of GlaxoSmithKline plc, GlaxoSmithKline Capital Inc. and GlaxoSmithKline Capital plc and Registration Statement Nos. 333-88966, 333-100388, 333-162702, and 333-235651 on Form S-8 of GlaxoSmithKline plc, of our reports dated 6 March 2020, relating to the financial statements of GlaxoSmithKline plc and the effectiveness of GlaxoSmithKline plc internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended 31 December 2019.

/s/ Deloitte LLP
London, United Kingdom
6 March 2020

Exhibit 15.3

do more
feel better
live longer

Annual Report 2019

Contents

We are a science-led global healthcare company

Our purpose

To improve the quality of human life by helping people do more, feel better, live longer.

Our goal

To become one of the world's most innovative, best-performing and trusted healthcare companies.

Our strategy

To bring differentiated, high-quality and needed healthcare products to as many people as possible, with our three global businesses, scientific and technical know-how and talented people.

Our long-term priorities

Our priorities are underpinned by our ambition to build a more performance focused culture, aligned to our values and expectations.

Innovation
We invest in scientific and technical excellence to develop and launch a pipeline of new products that meet the needs of patients, payers and consumers.

Performance
We deliver growth-based performance by investing effectively in our business, developing our people and executing competitively.

Trust
We are a responsible company and commit to use our science and technology to address health needs, make our products affordable and available and to be a modern employer.

Our values and expectations

Our values – patient focus, transparency, respect and integrity.

Our expectations – courage, accountability, development and teamwork.

Cautionary statement
See the inside back cover of this document for the cautionary statement regarding forward-looking statements.

Non-IFRS measures
We use a number of adjusted, non-IFRS, measures to report the performance of our business. Total reported results represent the Group's overall performance under IFRS. Adjusted results, pro-forma growth rates and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined on pages 50 to 52 and reconciliations to the nearest IFRS measures are on pages 62 and 65.

We believe that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

Our business model

We have three global businesses that discover, develop and manufacture innovative medicines, vaccines and consumer healthcare products. Every day, we help improve the health of millions of people around the world.

Our operations span the value chain from identifying, researching, developing and testing ground-breaking discoveries, to regulatory approval, manufacturing and commercialisation.

We have over 99,000 employees across 95 countries with outstanding scientific and technical know-how and deep expertise in regulation, intellectual property and commercialisation. We also work with world-leading experts and form strategic partnerships to complement our existing capabilities.

Innovation is critical to how we improve health and create financial value. As a research-based healthcare company we rely on intellectual property protection to help ensure a reasonable return on our investments so we can continue to research and develop new and innovative medicines. In 2019 we invested £4.6 billion in R&D. In Pharmaceuticals and Vaccines we focus on science related to the immune system, human genetics and advanced technology. In Consumer Healthcare we leverage our scientific expertise and deep consumer insights to create healthcare products that meet consumer demands.

Our ability to launch new products successfully and grow sales from our existing portfolio is key to our commercial success. For patients and consumers we deliver transformational medicines, vaccines and consumer healthcare products. In 2019 that included 2.3 billion packs of medicines, 701 million vaccine doses and 4.2 billion consumer healthcare products.

As part of our capital allocation framework we invest in our three businesses and provide returns to shareholders in the form of dividends and share value growth. In 2019 we paid a dividend of 80p per share and delivered £5.1 billion of free cash flow.

We make a positive contribution to the communities in which we operate by creating employment, working with suppliers and paying tax. We offer a broad range of employee benefits, including preventative healthcare services, so that we are able to attract and retain the best people. By delivering on our purpose, the greatest contribution we make is to improve the health of people around the world with our medicines, vaccines and consumer healthcare products.

Pharmaceuticals

Our Pharmaceuticals business has a broad portfolio of innovative and established medicines in respiratory, HIV, immuno-inflammation and oncology. We are strengthening our R&D pipeline through a focus on immunology, human genetics and advanced technologies to help us identify transformational new medicines for patients.

Read more on page 17

Turnover	£m
Respiratory	3,081
HIV	4,854
Immuno-inflammation	613
Oncology	230
Established Pharmaceuticals	8,776
Total	**17,554**

Vaccines

We are the world's largest vaccines company by revenue, delivering vaccines that protect people at all stages of life. Our R&D focuses on developing vaccines against infectious diseases that combine high medical need and strong market potential.

Read more on page 23

Turnover	£m
Meningitis	1,018
Shingles	1,810
Influenza	541
Established Vaccines	3,788
Total	**7,157**

Consumer Healthcare

Our world-leading Consumer Healthcare business combines science and consumer insights to create innovative everyday healthcare brands that consumers trust and experts recommend. In 2019, we finalised an agreement with Pfizer to combine our two consumer healthcare businesses.

Read more on page 27

Turnover	£m
Wellness	4,526
Oral health	2,673
Nutrition	1,176
Skin health	620
Total	**8,995**

Preparing for the future

Investing in R&D and new products

In order to be successful, we are increasing investment in R&D and new products to deliver future growth. Since announcing our new approach to R&D in 2018, we have made significant progress to strengthen our pipeline, particularly in oncology. We now have 39 medicines and 15 vaccines in the pipeline, and in 2019 we had three major approvals, eight regulatory submissions, six positive read-outs from pivotal studies and we progressed four new assets into pivotal studies.

During 2019 we also completed transactions with Tesaro and with Merck KGaA, further strengthening our position in oncology, and initiated alliances to build out our platform technologies, in genomics with the University of California, and in cell therapy with Lyell Immunopharma.

The positive clinical data we are generating and the progress we have made to strengthen the pipeline underpins our decision to further increase investment in R&D over the next two years.

Creating two new companies

In early 2020, consistent with our strategic priorities and previous announcements, we started a two-year programme to prepare GSK for separation into two new leading companies: New GSK, a biopharma company, with an R&D approach focused on science related to the immune system, use of genetics and new technologies; and a new Consumer Healthcare company with category-leading power brands and innovation based on science and consumer insights.

Our intention remains to separate around three years from the close of the transaction that resulted in the formation of our new Consumer Healthcare Joint Venture, which was in July 2019.

The new programme will use the unique catalyst of separation to reset the capabilities and cost base for both companies, and help support delivery of the significant value creation opportunities we see in both New GSK and new Consumer Healthcare.

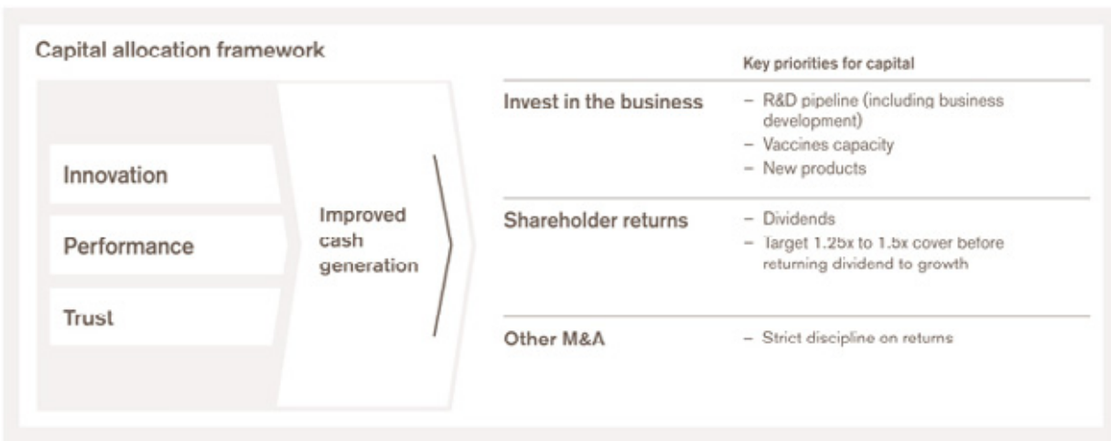
For New GSK, we see a clear opportunity to drive a common approach to R&D as science related to the immune system converges across both pharmaceuticals and vaccines. This will enable us to be even more effective in how we allocate our budget, share technical and scientific expertise and deliver our pipeline, regardless of modality.

Under the programme, we will also seek to improve our capabilities and create efficiencies in our global support functions; continue to simplify and focus our manufacturing network, ensuring our supply chain is ready to launch our new speciality medicines, and rationalise our portfolio through divestments.

For the new Consumer Healthcare company, this programme will support the building of key technology infrastructure and the expertise necessary to operate as a standalone company.

We believe that increased investment in our pipeline and new products, together with effective implementation of our new two-year programme, will set each new company up with strong foundations for future performance. The financial benefits, costs and reporting associated with the programme are set out on pages 63 and 64.

Capital allocation



Chairman's statement

I am delighted to introduce my first GSK Annual Report as Chairman. I am passionate about life sciences having worked in the industry for many years. It is a sector that I know can make a meaningful difference to patients and people around the world.

While GSK has a proud history of innovation, it was the exciting future ahead that made joining GSK irresistible. Not only do we have the opportunity to create the world's leading Consumer Health business but also to create a biopharma business, founded on today's leading scientific platforms. The Board and an outstanding management team led by Emma are determined to achieve this.

GSK delivered good operating performance in 2019 with growth in sales and earnings and good cash generation. Emma and her team are sucessfully focused on strengthening the pipeline and delivering strong commercial execution. This is evident in the contribution to growth from new products in these results.

Innovation

2019 saw good progress on the Group's priority to strengthen its pharmaceuticals pipeline, particularly in oncology, with eight filings and four assets moved into pivotal trials. The Board was particularly pleased to see positive data came from assets acquired through the Tesaro transaction.

The distinctive new approach to R&D, to focus on the immune system, the use of genetics and advanced analytical technologies, is also advancing with the formation of partnerships including with the University of California, 23andMe and Lyell and the attraction of new talent into the organisation. Over the longer term, this new approach promises to deliver a more productive R&D organisation delivering a higher number of differentiated medicines. This is an area the Board Science Committee is working closely with management on.

In my first few months, I have had many conversations with shareholders. I am pleased to report strong support for the strategic direction of the company and for the intention to separate into two new companies. To successfully deliver this the Group has initiated a new programme to help prepare for separation. Consequently, we have established a new Board committee, to work closely with management and provide support and oversight over the next two years.

Capital allocation

The Board supports management's clear framework for capital allocation which prioritises investment in the pharmaceuticals pipeline and building vaccine supply capacity. Disciplined support of business development opportunities is also part of the framework. Of course, the Board are also mindful of returns to shareholders and we returned 80p per share in 2019 as expected. Total shareholder return in 2019 was ▪%.

Environment, social and governance (ESG)

With 2019 the first year of required compliance with the revised UK Corporate Governance Code, and with the increased emphasis on the value of ESG factors to overall performance, I have been pleased to find GSK's purpose, strategy and priorities well placed to deliver long-term value for society and shareholders. That we will need to do more and give greater prominence to what we are doing, is clear, but we start from a good place.

GSK has a strong foundation in global health innovation and this continues to play an important role. Promising data on our candidate TB vaccine and recognition for GSK's leadership in antimicrobial resistance, a major global health threat is good demonstration of this. Access and affordability of medicines is a critical issue for the industry and society, and the company continues to be focused on making its products affordable and available through responsible pricing and strategic access programmes and partnerships.

Tackling climate change will require action from everyone and GSK is committed to playing its part. The company is delivering well on reducing its carbon footprint in line with the Paris Agreement, and is assessing the opportunities and risks that the transition to a low carbon economy presents.

Board changes

We have made progress on searching for Judy Lewent's successor as Chair of the Audit & Risk Committee. I am delighted that Judy has agreed to stay for a further year to facilitate a transition before stepping down from the Board at the 2021 AGM. Whilst I am mindful that the 2018 UK Corporate Governance Code indicates that Non-Executive Directors should not serve for more than nine years, I firmly believe that a smooth transition is in the best interests of the company and shareholders.

As is set out in more detail in the section on Board governance, we have re-evaluated our priorities and the Board committee architecture to be able to support and oversee the creation of two outstanding new organisations.

During the year Sir Philip Hampton stood down from the Board as anticipated in last year's Annual Report, and Iain Mackay became our Chief Financial Officer, replacing Simon Dingemans. I'd like to take this opportunity to thank Philip and Simon for their service to GSK.

Finally, my thanks go to all of GSK's employees, partners, shareholders and customers for their support and warm welcome.

Sir Jonathan Symonds
Chairman

CEO’s statement

I am pleased with the progress we made in 2019 on our three long-term priorities of Innovation, Performance and Trust. We have strengthened our pipeline, improved operational execution and further reshaped the Group.

Growth in 2019 sales and earnings

Group sales grew 10% at actual exchange rates and 8% at constant exchange rates to £33.8 billion. This is a good performance, particularly when considering that 2019 was the first year of a generic version of *Advair* in the US.

New products drove the increase in sales, reflecting their innovation and our focus on commercial execution. *Shingrix*, our shingles vaccine, had a remarkable year with sales of £1.8 billion and is now the most successful biopharma launch of the last 10 years. The product also received the prestigious Prix Galien award for innovation. In Respiratory, we saw strong growth from *Trelegy* and *Nucala*, and in HIV, new two-drug regimens, *Dovato* and *Juluca*, contributed sales of £422 million.

The Total Group operating margin increased 2.8 percentage points but the Adjusted operating margin decreased 2.1 percentage points (CER) reflecting our decision to invest in these new products and our priority pipeline programmes. Total earnings per share were 93.9p, up 27% at actual exchange rates, 23% CER and Adjusted earnings per share grew 4% at actual exchange rates, 1% CER to 123.9p.

We achieved strong cash generation, with free cash flow of £5.1 billion. As expected, we announced a dividend of 80p in 2019 and we expect to do so again in 2020.

Landmark year for R&D

When I became CEO, I made strengthening our R&D pipeline our first priority. In 2019 we made significant progress. Under the leadership of Dr Hal Barron, our Chief Scientific Officer, we delivered three major approvals, eight regulatory filings for new medicines, six positive readouts from assets in pivotal studies and progressed four new assets into pivotal studies, three of which are biologics.

This progress reflects successful prioritisation and development of the pipeline in core areas such as HIV and Respiratory, and in fast emerging areas such as Oncology. Here, we were particularly pleased to see pivotal data for *Zejula*, for ovarian cancer, and belantamab mafodotin for multiple myeloma. We believe both these assets have the potential to transform how patients are treated for these underserved cancer types.

In all, we have 39 medicines and 15 vaccines currently in clinical development, and in 2020 we expect at least six potential product approvals. We also expect a substantial amount of proof-of-concept data including combination studies for various immuno-oncology agents and for innovative vaccines; for respiratory syncytial virus (RSV) and for chronic obstructive pulmonary disease (COPD).

We continue to build our capabilities in new platform technologies, notably with a pioneering new partnership with the University of California, to establish a state-of-the-art laboratory for CRISPR gene-editing technologies; and with the biotech company, Lyell, for development of new cell therapies. I am also pleased that our partnership with 23andMe is progressing well. We have now identified eight new targets to work on together in immunology, oncology, neurology and cardiovascular disease.

Preparing for the future

Delivering innovation is our first priority, and our recent data readouts, together with the progress we have made to strengthen the pipeline, underpin our decision to further increase investment in R&D and our new products for long-term growth.

At the same time, we continue to focus on operational execution, including delivering a successful integration in Consumer Healthcare following completion of the transaction with Pfizer on 31 July 2019.

We are also now preparing for separation of the Group. As previously stated, our intention is to separate around three years from closing the transaction. We have therefore initiated a two-year programme to prepare two new companies: New GSK, a Biopharma company with an R&D approach focused on science related to the immune system, the use of genetics and advanced technologies; and a new Consumer Healthcare company with a world-leading portfolio of brands and scale.

Our new programme aims to use the unique catalyst we have of separation to set competitive capabilities and a cost base for both companies, and help to deliver the significant value creation for patients, consumers and shareholders.

CEO's statement continued

Building Trust

GSK has consistently, and will continue to take action to make a broader contribution to society in addition to delivery of financial returns. In 2019 we made good progress across all of our Trust commitments, and we are well placed to respond to increasing investor interest in environmental, social and governance (ESG) performance. We were pleased to be ranked the top pharma company in the Dow Jones Sustainability Index for our sector.

Most notable have been several recent initiatives related to global health and health security. Following the publication of excellent data for our candidate TB vaccine, in early 2020 we secured a ground-breaking agreement with the new Gates Medical Research Institute, to develop the vaccine for use in low-income countries. This new alliance reflects our aim to take a sustainable approach to global health, focusing our efforts and expertise on science and research, while partnering with others to ensure development and delivery. We also filed regulatory submissions for a new formulation of our latest HIV medicine, which will expand access for use by children in resource poor settings.

We were also pleased to see our science and research recognised through GSK's leadership of the Access to Medicine Foundation's 2020 antimicrobial resistance benchmark.

In February 2020, to support the global response to the outbreak caused by coronavirus (SARS-CoV-2), we formed collaborations with CEPI (Coalition for Epidemic Preparedness Innovations) and other institutions and companies to make our vaccine adjuvant technology available for the development of an effective vaccine against the virus.

In another area of our Trust agenda, we are working hard to reduce our environmental impact. Underpinned by five public targets, our goal is to reduce our impact by one quarter by 2030. In this report we also set out our approach to climate change risk, including our first voluntary disclosure using recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD).

Our people and culture

We continue to work to develop a more performance-focused culture, with a strong emphasis on ethics and values. Building trust internally remains a key priority. Our regular employee survey helps us review our levels of employee engagement and we were pleased to achieve excellent engagement scores at all levels of the organisation over the course of last year.

We are also pursuing a broad agenda to promote inclusion and diversity. In 2019, female representation across the organisation increased, particularly at senior management level, and GSK was recognised in the Stonewall LGBT+ rights group, as a top global employer.

The significant progress we made in 2019 is due to the effort, talent and dedication of GSK people and all those we work with. I want to thank them for their enormous contribution and we count on them again in 2020.

Emma Walmsley
Chief Executive Officer

Financial performance

Total results

	2019		2018		Growth	
	£m	% of turnover	£m	% of turnover	£%	CER%
Turnover	**33,754**	**100**	30,821	100	10	8
Cost of sales	**(11,863)**	**(35.1)**	(10,241)	(33.2)	16	16
Gross profit	**21,891**	**64.9**	20,580	66.8	6	4
Selling, general and administration	**(11,402)**	**(33.8)**	(9,915)	(32.2)	15	13
Research and development	**(4,568)**	**(13.5)**	(3,893)	(12.6)	17	15
Royalty income	**351**	**1.1**	299	1.0	17	17
Other operating income/(expense)	**689**	**1.9**	(1,588)	(5.2)		
Operating profit	**6,961**	**20.6**	5,483	17.8	27	23
Net finance costs	**(814)**		(717)			
Profit on disposal of interest in associates	**–**		3			
Share of after-tax profits of associates and joint ventures	**74**		31			
Profit before taxation	**6,221**		4,800		30	25
Taxation	**(953)**		(754)			
Tax rate	*15.3%*		*15.7%*			
Profit after taxation	**5,268**		4,046		30	26
Profit attributable to non-controlling interests	**623**		423			
Profit attributable to shareholders	**4,645**		3,623			
Earnings per share	**93.9p**		73.7p		27	23

How we performed

Cost of sales

Total cost of sales as a percentage of turnover was 35.1%, 1.9 percentage points higher at AER and 2.4 percentage points higher in CER terms. This primarily reflected an increase in the costs of Major restructuring programmes, the unwind of the fair value uplift on inventory arising on completion of the Consumer Healthcare Joint Venture with Pfizer and continued adverse pricing pressure in Pharmaceuticals, partly offset by a more favourable product mix in Vaccines.

Selling, general and administration

Total SG&A costs as a percentage of turnover were 33.8%, 1.6 percentage points higher at AER and 1.6 percentage points higher at CER. This included increased significant legal charges arising from the settlement of existing matters and provisions for ongoing litigation, increased investment resulting from the acquisition of Tesaro and greater promotional product support, particularly for new launches.

Research and development

Total R&D expenditure was £4,568 million (13.5% of turnover), up 17% AER, 15% CER. This reflected a significant increase in study and clinical trial material investment in Oncology and increased spending on the progression of key non-Oncology assets, partly offset by savings from the early phase portfolio reprioritisation in late 2018.

Other operating income/(expense)

Net other operating income primarily reflected the profit on disposal of rabies and tick-borne encephalitis vaccines and a number of other asset disposals together with an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands.

Operating profit

Total operating profit was £6,961 million in 2019 compared with £5,483 million in 2018. Reduced remeasurement charges on the contingent consideration liabilities, no Consumer Healthcare put option charge, increased profits on disposals and an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands were partly offset by increased charges for Major restructuring and significant legal matters.

Tax

The charge of £953 million represented an effective tax rate on Total results of 15.3% (2018 – 15.7%) and reflected the different tax effects of the various Adjusting items.

Non-controlling interests

The allocation of Total earnings to non-controlling interests amounted to £623 million (2018 – £423 million). The increase was primarily due to an increased allocation of ViiV Healthcare profits.

Earnings per share

Total earnings per share was 93.9p, compared with 73.7p in 2018. The increase in earnings per share primarily reflected reduced remeasurement charges on the contingent consideration liabilities and put options, an increase in the value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, a reduced effective tax rate and an increased share of after-tax profits of associates as a result of a non-recurring income tax benefit in Innoviva.

Financial performance continued

Total and Adjusted results

Total reported results represent the Group's overall performance.

GSK uses a number of Adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. See page 50 for a fuller definition.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

GSK is undertaking a number of Board-approved Major restructuring programmes in response to significant changes in the Group's trading environment or overall strategy, or following material acquisitions. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a Major restructuring programme.

The Group has also initiated a two-year Separation Preparation programme to prepare GSK for separation into two new leading companies in biopharma and consumer healthcare.

GSK is committed to continuously improving its financial reporting, in line with evolving regulatory requirements and best practice.

GSK's reported results include five months of results of the former Pfizer consumer healthcare business from 1 August 2019. Pro-forma growth rates at CER have been calculated for 2019 including the equivalent five months of results of the former Pfizer consumer healthcare business in the comparative period, as more fully described on page 52.

Adjusting items	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	33,754						33,754
Cost of sales	(11,863)	713	30	658	383	–	(10,079)
Gross profit	21,891	713	30	658	383	–	23,675
Selling, general and administration	(11,402)		4	332	104	247	(10,715)
Research and development	(4,568)	64	49	114		2	(4,339)
Royalty income	351						351
Other operating income/(expense)	689			1	(142)	(548)	–
Operating profit	6,961	777	83	1,105	345	(299)	8,972
Net finance costs	(814)			5		(1)	(810)
Share of after-tax profits of associates and joint ventures	74						74
Profit before taxation	6,221	777	83	1,110	345	(300)	8,236
Taxation	(953)	(156)	(17)	(208)	(124)	140	(1,318)
Tax rate	*15.3%*						*16.0%*
Profit after taxation	5,268	621	66	902	221	(160)	6,918
Profit attributable to non-controlling interests	623				164		787
Profit attributable to shareholders	4,645	621	66	902	57	(160)	6,131
Earnings per share	93.9p	12.6p	1.3p	18.2p	1.2p	(3.3)p	123.9p

Intangible asset amortisation and impairment
Amortisation and impairment of intangible assets and goodwill excludes computer software.

Major restructuring
Major restructuring costs, which include impairments of tangible assets and computer software (under specific Board-approved programmes that are structural, of a significant scale and where the costs of individual or related projects exceed £25 million), including integration costs following material acquisitions.

Transaction-related
Transaction-related accounting or other adjustments related to significant acquisitions.

Divestments, significant legal and other items
Proceeds and costs of disposals of associates, products and businesses; significant legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations; other operating income other than royalty income, and other items.

Adjusted results

	2019		2018		Growth	
	£m	% of turnover	£m	% of turnover	£%	CER%
Turnover	**33,754**	**100**	30,821	100	10	8
Cost of sales	**(10,079)**	**(29.9)**	(9,178)	(29.8)	10	10
Gross profit	**23,675**	**70.1**	21,643	70.2	9	7
Selling, general and administration	**(10,715)**	**(31.7)**	(9,462)	(30.7)	13	12
Research and development	**(4,339)**	**(12.9)**	(3,735)	(12.1)	16	14
Royalty income	**351**	**1.1**	299	1.0	17	17
Operating profit	**8,972**	**26.6**	8,745	28.4	3	–
Net finance costs	**(810)**		(698)			
Share of after-tax profits of associates and joint ventures	**74**		31			
Profit before taxation	**8,236**		*8,078*		*2*	*(1)*
Taxation	**(1,318)**		(1,535)			
Tax rate	*16.0%*		*19.0%*			
Profit after taxation	**6,918**		6,543		6	3
Profit attributable to non-controlling interests	**787**		674			
Profit attributable to shareholders	**6,131**		5,869			
Earnings per share	**123.9p**		119.4p		4	1

How we performed

Cost of sales

Adjusted cost of sales as a percentage of turnover was 29.9%, 0.1 percentage points higher at AER and 0.5 percentage points higher at CER. On a pro-forma basis, Adjusted cost of sales as a percentage of turnover was 29.9%, 0.3 percentage points higher at CER. This primarily reflected continued adverse pricing pressure in Pharmaceuticals, partly offset by a more favourable product mix in Vaccines, largely due to the growth of *Shingrix* in the US.

Selling, general and administration

Adjusted SG&A costs as a percentage of turnover were 31.7%, 1.0 percentage point higher at AER and 1.0 percentage point higher on a CER basis. On a pro-forma basis, Adjusted SG&A costs as a percentage of turnover were 31.7%, 0.8 percentage points higher at CER, compared with 2018. This primarily reflected increased investment resulting from the acquisition of Tesaro and in promotional product support, particularly for new launches in Vaccines, Respiratory and HIV, partly offset by the continuing benefit of restructuring in Pharmaceuticals and the tight control of ongoing costs.

Research and development

Adjusted R&D expenditure was £4,339 million (12.9% of turnover), 16% higher at AER, 14% higher at CER than in 2018. On a pro-forma basis, Adjusted R&D expenditure grew 13%. This reflected a significant increase in study and clinical trial material investment in Oncology and increased spending on the progression of key non-Oncology assets, partly offset by savings from the early phase portfolio reprioritisation in late 2018.

Operating profit

Adjusted operating profit was £8,972 million, 3% higher at AER but flat at CER on a turnover increase of 8% CER. The Adjusted operating margin of 26.6% was 1.8 percentage points lower at AER, and 2.1 percentage points lower on a CER basis than in 2018. On a pro-forma basis, Adjusted operating profit was 3% lower at CER on a turnover increase of 4% CER. The Adjusted pro-forma operating margin of 26.6% was 1.9 percentage points lower on a CER basis than in 2018. The reduction in pro-forma Adjusted operating profit primarily reflected continuing price pressure and investments in R&D and promotional product support, partly offset by the benefit from sales growth, particularly in Vaccines, a more favourable mix in Vaccines and Consumer Healthcare and the continued benefit of restructuring.

Tax

Tax on Adjusted profit amounted to £1,318 million and represented an effective Adjusted tax rate of 16.0% (2018 – 19.0%), reflecting the impact of the settlement of a number of open issues with tax authorities.

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £787 million (2018 – £674 million). The increase primarily reflected an increased allocation of Consumer Healthcare profits.

Earnings per share

Adjusted EPS of 123.9p compared with 119.4p in 2018, up 4% AER, 1% CER, with Adjusted operating profit flat at CER. The improvement primarily resulted from a reduced effective tax rate and an increased share of after-tax profits of associates, partly offset by increased net finance costs and a higher non-controlling interest allocation of Consumer Healthcare profits.

Our long-term priorities

Our long-term priorities are designed to create lasting value for patients, consumers and shareholders. 2019 was an important year of execution and we made good progress in delivering on our objectives.

Innovation

We invest in scientific and technical excellence to develop and launch a pipeline of new products that meet the needs of patients, payers and consumers.

2019 objectives

- Deliver continued strong sales of *Trelegy Ellipta, Nucala*, HIV two-drug regimen and *Shingrix*
- Continue to strengthen pipeline through execution of new R&D approach, accelerating priority assets and optimising recent strategic business development transactions

2019 progress

- Delivered strong sales of all key launches, notably *Shingrix* with sales of £1.8 billion
- Strengthened pipeline with eight filings, six positive pivotal trial results, and four priority assets accelerating to phase II/III
- Accelerated oncology pipeline with regulatory submissions for *Zejula* in first-line maintenance ovarian cancer, belantamab mafodotin in relapsed/refractory multiple myeloma, and dostarlimab in endometrial cancer
- Developed advanced technology capability with significant hires and partnerships with world-leading scientists

2020 priority objectives

- Deliver Innovation sales with excellent commercial, R&D and supply chain execution
- Further accelerate and strengthen pipeline with six potential approvals expected

Performance

We deliver growth by investing effectively in our business, developing our people and executing competitively.

2019 objectives

- Continue to drive sales growth and operational performance
- Successful integration of Tesaro
- Deliver restructuring benefits
- Develop plan for integration of Pfizer's consumer healthcare business
- Accelerate capability building in priority areas including digital, data and analytics

2019 progress

- Group sales £33.8 billion, up 10% AER, 8% CER, pro-forma +4%
- Free cash flow £5.1 billion
- Total earnings per share 93.9p (up 27% AER, 23% CER), Adjusted earnings per share 123.9p (up 4% AER, 1% CER)
- Successful integration of Tesaro and built capability in priority areas, notably specialty therapies, including oncology
- Continued delivery on restructuring benefits to support investment in innovation and new launches
- Completed Consumer Healthcare JV with Pfizer and on track to deliver synergies
- Invested in new talent to build capability

2020 priority objectives

- Prioritise spending to deliver growth and return on investment
- Successful Consumer Healthcare JV integration, including driving growth and delivering synergies
- Deliver further capability building in specialty Pharmaceuticals
- Deliver two-year programme to prepare GSK for separation into two new companies

Trust

We are a responsible company. We commit to use our science and technology to address health needs, make our products affordable and available and be a modern employer.

2019 objectives

- Focus on supply service levels, execute portfolio and network simplification
- Deliver progress on Trust commitments
- Progress global health research in TB and HIV
- Deliver modern employer programmes to empower employees to be themselves, feel good and keep growing at GSK

2019 progress

- Filed FDA and EU regulatory submissions for paediatric dolutegravir
- Released positive final phase II results for our candidate TB vaccine and built a collaboration with the Bill & Melinda Gates Medical Research Institute for the continued development of the asset for developing countries – which was finalised and announced in January 2020
- Continued to embed modern employer programmes with progress in engagement, diversity and inclusion, employee health and wellbeing, and development
- Ranked top in Dow Jones Sustainability Index for the pharmaceuticals industry

2020 priority objectives

- Continue to deliver on-time in-full supply of our products
- Build reputation with a focus on Innovation
- Deliver progress on Trust commitments

Culture

We are committed to developing the right culture to drive and maximise performance. We are empowering and enabling everyone at GSK to live our values and expectations, and changing the way we work to accelerate delivery of our long-term priorities.

Principal risks

Our principal risks are: patient safety; product quality; financial controls and reporting; anti-bribery and corruption; commercial practices; privacy; research practices; third party oversight; environment, health and safety, and sustainability; information security; and supply continuity. Our risk management framework is designed to support our long-term priorities. See pages 43 to 46 and 275 to 287.

Our culture

We are building a more performance-focused culture, aligned to our values and expectations, that will help us achieve our purpose and power our long-term priorities

GSK has a well-established purpose – to help people do more, feel better, live longer – together with strong values of patient focus, respect, transparency and integrity. We are extremely proud of how our purpose and values lead us as a company. However, our operating environment is changing rapidly and our stakeholders have increasing expectations of us.

We recognise that our culture must have a greater focus on performance and growth, while remaining firmly purpose-led and values-based. This necessary shift in culture is key to delivering our goal of becoming one of the world's most innovative, best performing and trusted healthcare companies.

Our expectations – courage, accountability, development and teamwork – sit alongside our values to help us develop the behaviours we need in our desired culture:

Courage: having high ambitions, setting an accelerated pace, smart risk taking where appropriate, making the right decisions assertively even when it is difficult, and speaking up when we see opportunities to improve or have a concern.

Accountability: taking ownership, having single point of accountability decision making, prioritising work that supports our strategy and delivering what we promise.

Development: prioritising people's development and encouraging them to ask for and give open and honest feedback, so we continually grow as individuals, teams and as an organisation.

Teamwork: ensuring our people work better together on aligned objectives and understand how they contribute to our long-term priorities, encouraging diversity of thought and inspiring each other; holding each other to account.

Enabling culture change

Culture change is a long-term commitment and requires focus at every level of the company:

- We have made company-wide changes to our incentive schemes, governance and ways of working, including implementing key performance indicators and standardised performance reviews.
- We continue to strengthen how our values and expectations are embedded into our recruitment processes, leadership development, employee training and performance evaluation.
- Across the whole company there are two broad themes we are focusing on: clearer accountability and better decision-making to drive pace and performance, and an open, honest and straight-talking culture where our people trust their leaders and feel confident to share their views. Each of the businesses have set clear objectives to drive the culture shift needed in their area.
- Our leaders and managers should be role models of our desired culture. This starts with having the right people, and we have made significant changes to our top 125 leaders, with 29% new appointments (internal movement and external hires) in the last year. We have invested significantly in building High Performing Teams (HPT), including our Corporate Executive Team, taking part in ongoing HPT development programmes.

Tracking progress

We track our cultural change with a range of indicators and the Board receives regular updates. In addition to specific lead indicators by business area, we measure employee feedback across the company through our global employee survey. This focuses on (a) our progress on embedding a culture that prioritises Innovation, (b) our discipline, competitive edge, speed and agility to deliver growth orientated Performance, (c) employee Trust, including pride in our purpose and progress on our Modern Employer priorities and (d) how well the values and expectations are embedded into our ways of working.

We also measure progress on key drivers of culture: (1) strength of talent and succession plans for key roles and (2) effectiveness of our global people manager population through our global One80 survey (see page 36). We use our employee engagement scores as an additional indicator of our progress in embedding a culture in which our employees are inspired by our purpose and are working together in the best way so that we meet our long-term priorities, bring competitive returns to shareholders, and help more patients and consumers.

Key performance indicators

We track progress against our long-term priorities with ten operating key performance indicators. These measure our performance at a Group level and across our three businesses.

Our operating key performance indicators (KPIs) are reviewed regularly by our Corporate Executive Team and the Board. Our employees are updated on our progress against them every quarter. Our performance system aligns employees' bonuses with a relevant subset of our ten indicators and the remuneration policy used to reward the performance of our executives also includes measures linked to our KPIs (see pages 117, 123 and 125).

We track all of our operating KPIs internally, and below we provide performance data for those that we report externally. Due to commercial sensitivities we do not publish data for all operating KPIs (indicated as n/r). We use a number of adjusted, non-International Financial Reporting Standards (IFRS) measures to report our business performance, as described on pages 50 to 52. These include Adjusted results, free cash flow and CER growth rates. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in line with IFRS.

Innovation

	2019	2018	2017
Innovation sales (R)			
Pharmaceuticals and Vaccines – sales of products launched in the last five years	**£3.8bn**	£1.7bn[a]	£0.4bn[a]
Consumer Healthcare – sales from products which are new to a market in the last three years as a % of total sales	**12%**	11%	13%
Pipeline value and progress – the value of products in our pipeline and R&D milestones achieved	**n/r**	n/r	n/r

Performance

	2019	2018	2017
Group turnover (R) – up 10% AER, 8% CER	**£33.8bn**	£30.8bn	£30.2bn
Profit (R)			
Total operating profit – up 27% AER, 23% CER	**£7.0bn**	£5.5bn	£4.1bn
Adjusted operating profit – up 3% AER, flat CER	**£9.0bn**	£8.7bn	£8.6bn
Total operating margin	**20.6%**	17.8%	13.5%
Adjusted operating margin	**26.6%**	28.4%	28.4%
Free cash flow (R) – down 11%	**£5.1bn**	£5.7bn	£3.5bn[b]
Market share – our market share in relation to our competitors	**n/r**	n/r	n/r
Top talent and succession plans for key roles – our most talented employees in key roles with succession plans in place	**n/r**	n/r	n/r

Trust

	2019	2018	2017
Employee feedback – employee engagement scores from our global employee survey	**78%**	78%	79%
Supply service level – percentage of orders delivered on-time and in-full	**n/r**	n/r	n/r
Corporate reputation – reputation index among stakeholders and informed public measured globally and in top 13 markets	**n/r**	n/r	n/r

(R) Linked to Executive LTI awards and bonus, see pages 117, 123 and 125.

a Comparative information reflects sales of those products that meet the definition for 2019.

b Revised to include proceeds from the sale of intangible assets.

n/r Not reported externally.

Industry trends

The healthcare industry operates in a rapidly changing environment with strong growth potential. Our strategy is designed to respond to this context by maximising opportunities and mitigating risks.

We are operating in a dynamic environment, shaped by fast-changing and interdependent global trends. We continue to be responsive to this changing environment through monitoring industry trends and engaging with key stakeholder groups (see pages 15 to 16).

The global healthcare industry

Global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020, a downward revision of 0.1% from the previous World Economic Outlook. Rising geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation, taking a toll on business confidence and investment decisions.[1]

The global healthcare market continues to grow, with worldwide pharmaceutical sales totalling £801 billion from September 2018-2019, up 6.4%. North America remains the largest pharmaceutical market with a 48% share of global sales, with Europe representing 21%. China is the second largest individual country for pharmaceutical sales, representing 8.5% of global sales.[2] Global vaccine sales rose to approximately £23.8 billion in 2019, up around 15% from 2018.[3] The global consumer healthcare market is estimated to be approximately £140 billion.[3]

The healthcare sector remains intensely competitive, with companies increasingly pursuing mergers, acquisitions and partnerships to strengthen pipelines and portfolios. 2019 saw significant M&A activity in oncology and speciality care, together with several company mergers, most notably with Bristol-Myers Squibb acquiring Celgene and AbbVie acquiring Allergan.

Intellectual property (IP) protection is important to continue to incentivise innovation. This helps research-based healthcare companies ensure a reasonable return on their investments and allows them to continue to conduct research and develop new and innovative medicines. Once IP protection expires, or if challenges to a patent are upheld, generic competitors can rapidly capture a large share of the market. Vaccines and other biologics do not face such exposure to generic competition through these ‘patent cliffs’. They require high capital investment due to the highly technical manufacturing processes, and complex regulatory and quality requirements.

Global trends: opportunities and challenges

Changing demographics

Demographic change is increasing demand for both preventive and therapeutic healthcare products.

The world’s population continues to grow. From an estimated 7.7 billion people worldwide in 2019, the global population is predicted to grow to 8.5 billion by 2030.[4] Virtually all countries are experiencing population ageing, with the proportion of the world’s population over 60 projected to nearly double between 2015 and 2050.[5] More people are living in cities and affluence is growing, with the size of the global middle class projected to be approximately 4.9 billion people by 2030, up from 1.8 billion in 2009.[6]

Our response

These factors are all contributing to rising demand for healthcare, including in areas where we are focused such as oncology and respiratory, as well as pressuring healthcare systems to restrain spending growth. As part of our Innovation priority we are investing in developing and launching a pipeline of new products that meet the changing needs of patients, payers and consumers (see pages 17 to 21 and 23 to 25). We ensure our products serve a broad demographic through our global health and pricing strategies (see pages 30 to 34).

1 IMF World Economic Outlook Update

2 IQVIA data

3 Internal data

4 https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf

5 https://www.who.int/news-room/fact-sheets/detail/ageing-and-health

6 http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html

Industry trends continued

Advances in science and technology

Rapid advances in innovative science and technology are transforming the sector. Cell therapy technologies, where cells become living medicines, are changing the definition and profile of medicine. New advances in functional genomics, such as CRISPR, are changing what is possible in drug discovery and will enable researchers to pinpoint novel targets with a higher probability of success. The scale of data from genetic libraries and genomics requires artificial intelligence (AI) to interpret, and machine learning helps to predict possible new pathways to a medicine. The growth in data is also improving the healthcare ecosystem and helping to build a virtuous cycle of data, technology and R&D. Regulators and purchasers can use these technologies to track product effectiveness, while consumers relying on digital tools to manage their health and understand their genetic profiles are helping research efforts by building a better understanding of genetics and disease.

Our response

The application of advanced technologies is central to our R&D approach, as part of our Innovation priority. We are developing core capabilities in AI, machine learning, functional genomics and cell therapy to accelerate the pace at which we identify and develop novel targets and medicines, including creating the Laboratory for Genomics Research, a state-of-the-art lab to apply CRISPR gene editing technologies to drug discovery. We have made significant investments to help us realise the potential of these cutting-edge technologies and, ultimately, strengthen our pipeline. We are also attracting the best scientific minds to work for us and with us, by entering into ambitious and creative collaborations, such as our partnership with Lyell Immunopharma, to enhance our cell and gene therapy programme and with 23andMe, with which we have eight ongoing joint programmes. (see page 21).

Pricing and access

The pricing of healthcare products and the increasing pressure to fund high-cost, innovative therapies continues to attract significant attention from governments and the public, with calls for better transparency on how prices are set and a greater emphasis on value and health outcome-based pricing. Government and payer budgets remain subject to increasing review as demand for healthcare grows and the healthcare policy environment remains fluid, with payers introducing increasingly restrictive cost-control mechanisms.

In the US, the government has proposed several drug pricing initiatives, including a new ‘international pricing index’, in order to reduce healthcare costs for patients and the government. While there are still significant potential obstacles to the implementation of national drug pricing proposals, multiple states have also passed legislation or regulation that increases oversight, transparency and/or control of pharmaceutical prices. Organisations that assess the value of pharmaceutical products relative to price and health outcomes, such as the Institute for Clinical and Economic Review, are also rising in prominence in the US.

In Europe, while the majority of markets have established price control processes in place, national healthcare authorities are continually looking to sharpen these tools in response to changing market dynamics. Disparity in both access and supply availability across EU markets has been a topic of recurrent debate in recent years. Member states have repeatedly raised serious concerns over the problem of medicines shortages. They call for transparency of prices, R&D costs and public subsidies, pushing to roll back existing flexibilities with EU legislation and/or create additional hurdles for market access.

In Europe and many Emerging Markets, international reference pricing (IRP) continues to gain traction, with over 70 markets now using this as a primary lever for pricing control. Increasingly, countries are also cooperating on health technology assessments (HTAs) – the new EU HTA regulation proposal would centralise the clinical assessments of new medicines and medical devices.

Beyond Europe many countries are implementing various forms of HTA. In China several policies have been proposed to boost the quality, efficiency and value of healthcare delivery and HTA implementation is among the key initiatives proposed. Products with high clinical value, particularly those seeking a premium price, will likely be prioritised for HTA review, especially in oncology and other critical disease areas. While accelerating access to innovation, China is also implementing cost containment measures to balance its healthcare budget. Saudi Arabia is establishing a new, independent and evidence-based HTA entity to help it maximise health gains through efficient use of resources. Finally, in Japan the pharmaceutical industry remains concerned about the proposed use of HTA for pricing control rather than value assessment.

Our response

We aim to improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business. Getting this right is fundamental to both our Performance and Trust priorities. When setting the price of our medicines in developed markets, we apply a value-based approach to balance reward for innovation with access and affordability (see page 33). We aim to bring truly differentiated, innovative products that bring highly effective health outcomes for patients and payers, so that even those products with a high cost will bring value to patients and healthcare systems. By investing in genetics, genomics, big data and AI we are accelerating the pace at which we develop transformational medicines, prioritising those molecules with a higher probability of success – we know that genetically validated drug candidates are twice as likely to become registered medicines, improving the productivity of our R&D investment.

Regulatory environment

Healthcare is a highly regulated industry, reflecting public expectations that products comply to stringent levels of quality, safety and efficacy.

Governments continue to introduce and develop regulatory approaches to support the accelerated development and introduction of new medicines and to encourage pharmaceutical innovation. Regulatory authorities are exploring how to progress or adapt regulatory science to address new and potentially disruptive technologies, such as digital healthcare, cell and gene therapies, big data and real-world evidence. Work on cross-border harmonisation of pharmaceutical regulation is increasing through supranational bodies, such as the International Council for Harmonisation, the geographic scope of which continues to expand, including to emerging markets. This work is supporting the introduction and development of initiatives in which regulators from different jurisdictions share or co-operate in the assessment of regulatory submissions, for example the US Food and Drug Administration (FDA) is providing a framework for concurrent submission and review of oncology products with international partners.

Our response

GSK closely monitors and, where relevant and appropriate, engages in how we can improve regulation, particularly in the UK, Europe and the US. For example, as scientific innovation moves beyond the scope of current regulation and standards, we are working with the sector to engage with governments to explore new policies, processes and incentives that would support the discovery and delivery of medicines developed through emerging technologies and techniques (see page 16).

Societal expectations

Expectations of business are changing. As well as delivering financial returns, companies are expected to create value for a range of stakeholders through taking action on social and environmental issues. Some are calling for the purpose of business to be redefined, with groups like Business Roundtable, a leading business group in the US, saying a corporation exists to benefit all stakeholders, moving away from the long-standing endorsement of shareholder primacy.

In order to attract and retain the best talent companies need to rise to the expectations of a workforce that is motivated by delivering on a greater purpose. Employees who work for a company with a strong sense of purpose, and who feel connected to it, are three times more likely to thrive in what they do.[1]

At the same time, investors are increasingly asking companies to articulate how they are managing a range of environmental, social and governance (ESG) risks and opportunities. Major institutional investors are publicly stating that they believe that ESG factors impact a company's long-term success and so are important to their investment decisions.

Companies are expected to contribute to the UN Sustainable Development Goals (SDGs), especially as we move into the final decade for their delivery by 2030. There is growing public demand for companies to play a role in managing climate change and mitigating climate risk, as well as address other environmental issues such as plastics, air pollution and water management. Companies are also under increasing pressure to address social issues such as human rights, inclusion and diversity and fair pay, both in direct operations and throughout the supply chain.

The pharmaceutical sector in particular has a trust deficit and remains under sustained scrutiny around sales and marketing practices and ethics and compliance. It is also facing additional reputational challenges related to issues like the opioid crisis in the US, as well as the growing momentum of the anti-vaccine movement in some regions.

Our response

Our Trust priority is designed to respond to multi-stakeholder expectations and prioritise the areas where we are positioned to have significant and sustainable impact. We set 13 public commitments to support our Trust priority in 2018 and are making good progress against them (see pages 30 to 42). We recognise that expectations are moving quickly and that we need to respond accordingly (see pages 15 to 16).

1 Mercer 2018 Global Talent Trends Study. Input: 800 executives, 1,800 HR leaders, 5000+ employees, 21 industries, 44 countries

Stakeholder engagement

Engaging and building trust with the broad range of stakeholders that interact with, or are impacted by, our business is key to delivering our strategy and ensuring our success over the long term.

Section 172 statement
We have various mechanisms that enable management and the Board to understand and consider stakeholder views as part of their oversight and decision making. This is explained in our section 172 statement, which is set out in full on page 111, and is incorporated by reference into this Strategic report. On this page we summarise our key stakeholder groups, how we engage with them, the issues that matter most to them and what we are doing in response.

Patients and consumers	**Insights from patients and consumers enable us to develop products that better meet their needs.** **How we engage** – Advisory boards, disease-specific patient panels and Patient Advocacy Leaders Summits to provide patient insights – Engagement and support for patient groups (disclosed on gsk.com), and initiatives that empower patients to get involved in medicine development – Market research and consumer sensory labs help to uncover consumer insights	**What matters** – The pricing of healthcare products, particularly out-of-pocket expenses – Differentiated product innovation based on patient and consumer needs – Access to a reliable supply of high-quality, safe products **What we are doing** – We take a values-based approach to pricing to balance reward for innovation with access and affordability – Strengthening our pipeline to bring innovative products to patients and ensure we maintain high standards for product quality and safety
Investors	**We maintain regular and constructive dialogue with investors to communicate our strategy and performance in order to promote investor confidence and ensure our continued access to capital.** **How we engage** – Ongoing communications including the AGM, quarterly results calls and detailed company information online – One-to-one meetings between Board members, senior executives and institutional investors including introduction roadshows for our new Chairman and CFO – Biannual investors and analysts perception study and, for the first time in 2019, we conducted a specific ESG study	**What matters** – Financial performance and commercial success – Understanding how our R&D strategy is successfully developing our pipeline – Management of key environment, social and governance (ESG) issues to mitigate risk and create opportunity **What we are doing** – Continuing to report in line with best practice disclosure on progress towards our financial targets and strategic goals – Specific business and R&D updates and events e.g. ViiV meet the management, Vaccines Investor Day, Oncology roundtables – We are increasing engagement on ESG matters
Healthcare professionals and medical experts	**We work with healthcare professionals (HCPs) and medical experts to understand patient needs and to ensure our products are being administered in the right way.** **How we engage** – Scientific dialogue to increase understanding of disease management and patient experience – Providing high-quality, balanced information about our medicines and vaccines – Collaboration on clinical trials and research	**What matters** – Access to product and scientific information – Responsible sales and marketing practices – Safety, efficacy and differentiated innovation **What we are doing** – Increasing the use of digital channels to deliver a more personalised and effective sharing of information to HCPs – Updating our salesforce incentive policy to attract and retain the best talent while upholding ethical standards – Using HCP insights on disease management and patient experience to inform the development of our medicines
R&D partners and academia	**We partner with scientific institutions, national health systems, business partners and academia to help ensure we develop differentiated healthcare products.** **How we engage** – Collaboration with outstanding scientists from organisations across the globe – Establishing joint ventures to strengthen innovation and efficiency – Working with academic institutions to accelerate discovery and development of new medicines	**What matters** – Finding the right partner to accelerate a potential medicine or vaccine to approval to reach patients – Pushing the science as far as it can go to advance human health – Dissemination and advancement of scientific knowledge **What we are doing** – Working with world leading experts at biotechs, universities and other scientific institutions to improve drug discovery and increase the productivity of our R&D pipeline – Collaborating with partners such as Open Targets, FinnGen, and the UK Biobank that are focused on identifying disease-relevant genes to validate high-potential targets

Governments and regulators

We work with governments and regulators to advocate for policies that encourage innovation, promote efficient management of healthcare spending and give patients the support they need.

How we engage

- Meeting with regulatory bodies throughout the development process to ensure high quality and safe new products
- Engaging with government health agencies to demonstrate the value of our products
- Working with governments to build a strong operating environment for life sciences

What matters

- Environments which value innovation and drive investment in life sciences
- Scientific funding and collaboration
- Medicines pricing and reimbursement
- Public health threats

What we are doing

- Working with policymakers to support an operating environment that remains competitive for R&D investment, enables mobility of scientific talent and accelerates the uptake of innovative medicines, including the UK Life Sciences Industrial Strategy
- Actively engaging on government proposals for healthcare reform, including in the US where we successfully ensured patient access to full treatment regimes for HIV and cancer was maintained
- Partnering with authorities in China to ensure support for global innovation, including swift regulatory approval of *Shingrix* and *Benlysta*

NGOs and multilateral organisations

We work with partners to improve access to healthcare services and our products, and to advocate for the policy environment in which we can be successful.

How we engage

- Working with non-governmental organisations (NGOs) and partners to research and develop products to address global health challenges
- Collaborating with NGOs and generic manufacturers to sustainably supply our products to developing countries
- Partnerships to strengthen health systems in developing countries and drive progress on global health priorities

What matters

- Access to medicines and vaccines
- Achieving the UN SDGs and WHO targets for specific disease areas
- Universal Health Coverage (UHC) and the future of health systems
- Sustainable financing for global health

What we are doing

- Focusing on our unique value-add as a global health partner to develop products where we have scientific expertise
- Partnering with organisations that have complementary capabilities and reach to create sustainable models that share risk, including working with partners to pilot implementation of the malaria vaccine
- Leveraging our community investment programmes to support our scientific expertise and deliver more impact for patients

Suppliers

We work with thousands of suppliers, large and small, who provide goods and services that support us in delivering a reliable supply of high-quality, safe products for our patients and consumers.

How we engage

- Regular direct engagement between business owner and supplier to ensure they support GSK's strategies and targets
- Engage with suppliers through our Third Party Oversight programme and by conducting in-depth audits
- Participate in cross-industry forums such as the Pharmaceutical Supply Chain Initiative and the Consumer Goods Forum to improve supply chain sustainability

What matters

- Prompt payment for smaller suppliers
- Understanding GSK standards and policies to ensure compliance
- Opportunities to innovate and grow the relationship

What we are doing

- Updating our payment practices to ensure that smaller UK suppliers benefit from preferential payment terms
- Conducting business with suppliers who share our values and high quality and ethical standards to ensure security of supply
- Engaging with suppliers to develop improvement plans and track progress when we identify areas for improvement
- Expanding our third-party Environment Health and Safety team to the countries where our priority suppliers are located to provide more proactive support

Employees

We involve and listen to employees to help us maintain strong employee engagement and retain talented people.

How we engage

- Regular interactive 'Let's Talk' events with the Corporate Executive Team and other senior leaders
- Facilitating dialogue and collaboration through our internal communications platform
- Global diversity councils and Employee Resource Groups covering different strands of diversity
- Global all-employee survey and One80 Survey for employees to provide feedback on line managers

What matters

- Opportunities for career and personal development
- Flexible working to support balancing wider responsibilities
- Working in an inclusive and diverse environment
- Working for a purposeful company and a great line manager

What we are doing

- Providing all employees with access to a new development portal with resources that are most relevant to their roles, development needs and interests
- Our largest markets have formal flexible working and carer policies and all our markets are reviewing their competitiveness
- Monitoring employee engagement through the employee survey and acting on feedback to improve engagement

Pharmaceuticals

Our Pharmaceuticals business has a broad portfolio of innovative and established medicines in respiratory, HIV, immuno-inflammation and oncology. We are strengthening our R&D pipeline through a focus on immunology, human genetics and advanced technologies to help us deliver transformational medicines for patients.

Progress against our long-term priorities

Innovation

- Strengthened our R&D pipeline with eight filings and four assets advancing to pivotal phase II/III studies
- Accelerated our oncology portfolio with positive pivotal data readouts and regulatory submissions for *Zejula* in first-line maintenance ovarian cancer, belantamab mafodotin in relapsed/refractory multiple myeloma, and dostarlimab in endometrial cancer
- Received approvals and expanded indications for key medicines across our portfolio
- Invested significantly in advanced technologies, including establishing the Laboratory for Genomics Research and collaborating with Lyell Immunopharma

Read more below

Performance

- Total 2019 turnover £17.6 billion, up 2% AER, flat at CER
- Strengthened capabilities in specialty care medicine
- Changed sales incentive programme to recruit and retain representatives with the best expertise and experience
- Supply chain productivity up by more than 20% since 2016

Read more on page 22

Trust

- Filed US and EU regulatory submissions to simplify, optimise and extend use of dolutegravir in children living with HIV
- Progressed gepotidacin, the first in a new chemical class of antibiotics to treat drug resistant bacteria, to phase III clinical research
- Donated 890 million albendazole tablets to support efforts to end lymphatic filariasis and control intestinal worms in school-age children
- 101 Pharmaceutical regulatory inspections, all with satisfactory results

Read more on pages 30 to 42

Innovation

Our new R&D approach focuses on science related to the immune system, the use of human genetics and the application of advanced technologies, such as functional genomics, machine learning, artificial intelligence and cell therapy. This approach, powered by the multiplier effect of Science x Technology x Culture, is helping to strengthen our pipeline and accelerate the pace at which we discover, develop and deliver medicines to improve patients' lives.

As we prepare to create New GSK, we will drive a common approach to R&D across Pharmaceuticals and Vaccines. This will enable us to more effectively allocate capital and share technical and scientific expertise, to deliver our pipeline, regardless of modality, for the new Biopharma company.

We are evolving our R&D culture to embrace single-point accountable decision making and smart risk taking (rewarding good decisions even when the outcome may not be as expected) to help us deliver scientific and technological excellence.

Our R&D pipeline contains 39 potential new medicines, including 15 clinical oncology assets. We have doubled the number of assets in our clinical oncology portfolio since early 2018.

In 2019, we advanced four assets into pivotal phase II/III studies and achieved positive regulatory decisions and data readouts across our portfolio.

We received approvals for three medicines: *Dovato*, an HIV treatment; *Dectova*, a treatment for influenza A or B; and new self-administration options for our respiratory biologic, *Nucala*. We also received expanded indications for medicines including *Zejula*, our oral poly ADP-ribose polymerase (PARP) inhibitor for ovarian cancer and *Benlysta*, the world's first biologic treatment for systemic lupus erythematosus (SLE or 'lupus'). We submitted eight filings for regulatory approval.

HIV

Around 37.9 million people are living with HIV worldwide. We have a long-standing commitment to combatting, preventing and ultimately curing HIV, helping to make it a smaller part of people's lives.

Our HIV business is managed through ViiV Healthcare, which is majority owned by GSK, with Pfizer and Shionogi as shareholders. ViiV Healthcare is the sole global specialist HIV pharmaceutical company. We are at the forefront of innovation, with the world's only HIV-dedicated discovery and early development facility. Our portfolio of 15 approved antiretroviral medicines offers a range of therapeutic options for people living with HIV. They include our established therapies *Tivicay* and *Triumeq*, which contain dolutegravir, considered the most potent available antiretroviral.

2019 was a pivotal year for ViiV Healthcare, with growing momentum for our portfolio of two-drug regimen (2DR) therapies, which are powered by dolutegravir. We launched *Dovato*, our new once-daily, single-pill 2DR, the first approved for treatment-naïve patients, in the US and EU. This followed positive results from the GEMINI 1 and 2 and TANGO studies which showed *Dovato* was as effective as dolutegravir-based three-drug regimens. By containing fewer antiretrovirals than traditional HIV treatments, *Dovato* and our first 2DR, *Juluca*, aim to reduce the number of HIV drugs people living with the virus take over a lifetime. Following its 2018 launch in the US, Japan and nine European markets, *Juluca* achieved reimbursement in 10 additional markets in 2019. During the year, the SWORD 1 and 2 studies demonstrated *Juluca*'s long-term safety, efficacy and tolerability.

We submitted cabotegravir and rilpivirine, the first once-monthly, complete long-acting HIV regimen for regulatory review in the US and EU. This followed the global ATLAS and FLAIR pivotal phase III studies which demonstrated that the therapy was as effective as a daily oral three-drug regimen in maintaining viral suppression. In December 2019, we received a complete response letter from the FDA regarding the US submission and will work closely with the regulatory authority to determine appropriate next steps. Regulatory review in the EU is ongoing.

In July 2019, we launched the year-long CUSTOMIZE study to identify and evaluate ways of implementing a once-monthly HIV regimen into clinical practice. The programme involves ViiV Healthcare employees working with clinical staff, healthcare providers and people living with HIV across the US.

In December 2019, we filed for US regulatory approval for fostemsavir, our first-in-class attachment inhibitor for heavily treatment-experienced adults with HIV-1 infection, including those who are failing on current antiretroviral regimens and have exhausted all treatment options. The submission followed positive results from the 96-week phase III BRIGHTE study.

In line with our commitment to delivering optimal HIV treatment formulations for children, we made two regulatory submissions in December 2019 that aim to simplify, optimise and extend the use of dolutegravir in paediatric HIV patients. For more information (see page 32).

Oncology

Cancer remains a major global cause of death. Our work in oncology aspires to maximise patient survival through transformational medicines. We have an increasingly large and broad portfolio of assets in development, both alone and in novel combination studies. Our pipeline is focused on four areas: immuno-oncology, which uses the human immune system to treat cancer; cell therapy, where human T-cells are engineered to target the disease; cancer epigenetics, where the gene-regulatory system of the epigenome is modulated to curb cancer; and synthetic lethality, where two mechanisms work together synergistically to destroy cancerous cells.

We are making good progress. Since early 2018 we have doubled the number of assets in our clinical oncology pipeline. In 2019 we achieved three positive pivotal data readouts and are on track for three oncology launches in 2020. We have achieved this by accelerating our own clinical programmes, fast-tracking the assets acquired with the oncology-focused biopharmaceutical company Tesaro, and successful business development collaborations, including our strategic alliance with Merck KGaA.

To further strengthen our oncology pipeline and enhance our cell and gene therapy programme, we announced a five-year collaboration with Lyell Immunopharma. Lyell is exploring ways of improving the function and 'fitness' of T-cells to enhance response rates in solid tumour cancers and prevent relapses due to T-cell 'exhaustion'. Combining our cell and gene therapy programmes with Lyell's technologies has the potential to enhance the activity and specificity of cell therapies in solid tumour cancers.

Our current oncology assets

Zejula, our oral PARP inhibitor, is approved in the US and Europe for women with recurrent ovarian cancer. We believe that *Zejula* could transform treatment options for patients in additional ovarian cancer stages, and for both men and women with other cancers.

Following a priority review, in October 2019, the FDA approved an expanded indication for *Zejula* as a late-line treatment for women whose advanced ovarian cancer is associated with homologous recombination deficiency. The approval was supported by the positive results of the phase II QUADRA study. This approval allows us to address the unmet clinical need and demonstrates that *Zejula* is active as a late line therapy for women beyond those with BRCA mutations. In December 2019, we also filed for US approval of *Zejula* in first-line maintenance therapy of women with platinum responsive ovarian cancer. The submission, which has been accepted by the FDA, was based on positive results from the phase III PRIMA study which showed a significant reduction in disease progression for women, irrespective of their biomarker status.

Reflecting our broad development plan, a number of further clinical studies of *Zejula*, alone and in combination with other therapies, are in progress for additional ovarian cancer stages as well as for non-small cell lung cancer and breast cancer.

Pharmaceuticals continued

Belantamab mafodotin, our first-in-class, humanised immunoconjugate against B-cell maturation antigen (anti-BCMA), is being studied for the treatment of multiple myeloma, the second most common blood cancer, for which there is currently no cure. Our extensive development programme for this asset will enable us to move quickly into earlier lines of treatment. In December 2019, we filed for regulatory approval following positive results from the pivotal DREAMM-2 study, which explored belantamab mafodotin in patients with relapsed/refractory multiple myeloma, and have subsequently been granted a priority review by the FDA.

In the second-line setting, our phase I/II DREAMM-6 study is assessing belantamab mafodotin in combination with standard of care. The results will inform pivotal second-line studies, which are due to start in the second half of 2020. We also started two other studies: DREAMM-5, a fourth-line, phase I/II study exploring use in combination with novel agents, and DREAMM-9, a phase III first-line study in combination with standard of care.

Dostarlimab is a PD-1 inhibitor targeting endometrial cancer, the sixth most common cancer in women. It is being evaluated for use as a monotherapy and in combination with other immuno-oncology agents. We filed for regulatory approval in a second-line endometrial cancer setting in late 2019, following positive results from the GARNET study, the largest ever trial of an anti-PD-1 monotherapy in patients with advanced or recurrent endometrial cancer. In September 2019, we enrolled the first patients in RUBY, a first-line study of dostarlimab in combination with chemotherapy.

In February 2019, we announced a global alliance with Merck KGaA to jointly develop bintrafusp alfa, an investigational bifunctional fusion protein immunotherapy currently in development for multiple difficult-to-treat cancers. The most advanced potential registration study is in second-line biliary tract cancer, a group of rare, aggressive gastrointestinal cancers associated with limited treatment options and poor outcomes.

Our anti-ICOS agonist antibody, GSK3359609, is designed to selectively enhance the function of T-cells. We are studying the antibody alone and in combination with other therapies, due to its considerable potential across a range of tumour types. Following the positive results of the INDUCE-1 study, we initiated a phase II/III study with registration potential in combination with pembrolizumab in first-line recurrent/metastatic head and neck squamous cell carcinoma.

Our lead T-cell immunotherapy, GSK3377794, targets the NY-ESO-1 antigen that is expressed across multiple cancer types. The therapy is on an accelerated development path, having received both European PRIME and US FDA breakthrough status, with ongoing phase II studies in synovial sarcoma, lung cancer and multiple myeloma. This asset, along with our other cell therapies, could be enhanced by leveraging the technologies available to us via our new collaboration with Lyell Immunopharma.

Respiratory

GSK has been a world leader in respiratory for five decades, pioneering the development of modern, innovative medicines for asthma and chronic obstructive pulmonary disease (COPD). We have launched six new treatments since 2012, establishing the broadest portfolio of once-daily, inhaled respiratory medicines in our industry.

In 2019, we continued the successful roll out of *Trelegy Ellipta*, our single inhaler triple therapy for COPD. It is now available in over 40 markets, with key launches in 2019 that included Japan and China. Following positive results from the phase III CAPTAIN study, which showed the effect of *Trelegy* in treating patients with asthma, we filed for this new indication in the US and Japan.

Nucala, our first-in-class biologic for patients with severe eosinophilic asthma (SEA), continued to strengthen its clinical profile with approval in the US and EU of two new self-administration options, and early data from the REALITI-A study showing *Nucala* significantly reduces exacerbations in a real-world setting. Approval in the US for use in children with SEA aged six to 11 provided a new option for this difficult to treat patient population.

Despite our advances in respiratory medicines, there are still areas of significant unmet need where we continue to innovate. We are exploring *Nucala*'s potential across a spectrum of eosinophil-driven diseases and in 2019 reported positive results from our hypereosinophilic syndrome programme which will support regulatory submissions in 2020. We initiated a new phase III study in COPD, and data from our nasal polyps programme is anticipated in 2020. We achieved proof of concept for two further investigational medicines in our biologics pipeline, a long-acting anti-interleukin-5 (IL-5) antagonist for SEA and an anti-IL33 receptor for severe asthma, which we hope will provide new options for patients and extend our respiratory leadership into the future.

Immuno-inflammation

We are committed to the research and development of medicines for immune-mediated diseases, such as lupus and rheumatoid arthritis (RA), that are a significant health burden for patients and society. Our research focuses on the biology of the immune system, reflecting our aim to develop immunological-based medicines that alter the course of inflammatory disease.

We are the only company with a biologic treatment, *Benlysta*, specifically developed and approved for adult and paediatric lupus. In 2019 the medicine was approved for adults in China where more than one million people have lupus. During the year intravenous *Benlysta* became the first biologic treatment to be approved in the US, EU and Japan for children who have limited treatment options for this challenging disease. We also announced positive results from the pivotal BLISS-LN study showing the effect of *Benlysta* in active lupus nephritis, an inflammation of the kidneys caused by SLE.

We announced the start of the phase III study of otilimab, our anti GM-CSF antibody, in patients with RA, following results from the phase II BAROQUE study. About 24.5 million people globally are affected by RA, a chronic, systemic inflammatory condition.

Pharmaceuticals pipeline overview

We have 39 assets in development, of which 15 are focused on oncology. We expect a number of pivotal readouts in 2020.

Phase		Compound	Indication
Pivotal/registration*		*Benlysta* + *Rituxan*[1]	systemic lupus erythematosus[2]
		cabotegravir[2] LA + rilpivirine[1]	long-acting HIV
	A	*Dovato*	HIV
		daprodustat (HIF-PHI)	anaemia
		fostemsavir (attachment inhibitor)	HIV
		Nucala	COPD/hypereosinophilic syndrome/nasal polyps
		Trelegy[1]	asthma
	A	*Dectova*[1] IV	IV influenza
	A	*Nucala* pre-filled syringe	severe asthma
		belantamab mafodotin[1] (BCMA ADC)	multiple myeloma
	✓	*Zejula* (PARP inhibitor)[1]	first-line maintenance ovarian cancer[2]
	✓	dostarlimab (PD-1 antagonist)[1]	endometrial cancer
	✓	bintrafusp alfa[1] (TGFß trap/anti-PDL1)	biliary tract cancer [2]
	✓	otilimab[1] (3196165)	rheumatoid arthritis
	✓	gepotidacin[1] (2140944)	uncomplicated urinary tract infection and gonorrhoea
	✓	3359609[1] (ICOS receptor agonist)	head and neck squamous cell carcinoma[2,3]
Phase I expansion/phase II	✓	3640254 (maturation inhibitor)	HIV
		3228836[1] (HBV ASO)	hepatitis B
		3772847[1] (IL33r antagonist)	severe asthma
		3377794[1] (NY-ESO-1 TCR)	cancer
		2330811 (OSM antagonist)	systemic sclerosis
		2881078 (SARM)	COPD muscle weakness
		525762 (molibresib, BET inhibitor)	cancer
		2330672 (linerixibat, IBAT inhibitor)	cholestatic pruritus in primary biliary cholangitis
		3326595[1] (PRMT5 inhibitor)	cancer
		GR121619[1] (oxytocin)	postpartum haemorrhage
	✓	TSR-022 (TIM-3 antagonist)[1]	cancer
	✓	3036656[1] (leucyl t-RNA inhibitor)	tuberculosis
	✓	2831781[1] (LAG3)	ulcerative colitis
	✓	TSR-033[1] (LAG3 antagonist)	cancer
Phase I		3858279[1] (CCL17 antagonist)	osteoarthritis pain
		3511294[1] (IL5 LA antagonist)	asthma
		1795091 (TLR4 agonist)	cancer
		3810109[1] (broadly neutralising antibody)	HIV
		3537142[1] (NYESO1 ImmTAC)	cancer
		3439171[1] (H-PGDS inhibitor)	Duchenne muscular dystrophy
		3368715[1] (PRMT1 inhibitor)	cancer
		2269557 (nemiralisib PI3Kd inhibitor)	activated phosphoinositide 3-kinase delta syndrome
	✓	3745417 (STING agonist)	cancer
		3174998[1] (OX40 agonist)	cancer
	✓	3186899[1] (CRK-12 inhibitor)	visceral leishmaniasis
	✓	3732394 (combinectin entry inhibitor)	HIV

A Approved ✓ Progressed/New

* Includes programmes in pivotal phases of development or where pivotal data has reported and regulatory submissions are under consideration or under review.

1 In-licence or other alliance relationship with third party.
2 Additional indications also under investigation.
3 ICOS HNSCC is a phase II/III study with registrational potential.

Note:for oncology, where phase I studies are conducted in patients, the progression from phase I to phase II is defined when expansion cohorts are started.

Pharmaceuticals continued

Infectious diseases

We started two phase III studies for gepotidacin, the first in a new chemical class of antibiotics to treat drug resistant bacteria, in urogenital gonorrhoea and uncomplicated urinary tract infection. This marks the first time these infections have been addressed by new oral antibiotics in 20 years. First results are expected by the end of 2021.

In 2019, Brazil became the first malaria-endemic country to approve *Kozenis* for the radical cure of *P. vivax* malaria. Single-dose *Kozenis* (known as *Krintafel* in the US) is the first new treatment for *P. vivax* malaria for more than 60 years. This milestone follows publication of the positive results from the DETECTIVE and GATHER phase III studies.

We are using new technology to develop novel medicines for hepatitis B, a viral infection of the liver that can lead to significant health conditions, including cirrhosis, liver failure and liver cancer. We exercised an option to license Ionis Pharmaceuticals' antisense medicines for people with chronic hepatitis B following positive phase II results.

We received EU approval for *Dectova* for the intravenous treatment of influenza A or B which can cause epidemic seasonal infections. The innovation, intended for hospitalised patients, complements our oral version of this neuraminidase inhibitor, which we market as *Relenza*.

Additional programmes

In Japan, we filed for regulatory approval for daprodustat, an oral hypoxia-inducible factor prolyl hydroxylase inhibitor for patients with anaemia associated with chronic kidney disease. If approved, daprodustat will provide a new and convenient oral treatment option for these patients.

Leveraging advanced technologies

Advanced technologies are central to our R&D approach. We have made significant investments in artificial intelligence, machine learning, functional genomics and cell therapy to accelerate our identification of novel targets and medicines. To realise the potential of these cutting-edge technologies, in 2019 we made numerous internal appointments to lead and build our in-house capabilities, and also announced external partnerships with ambitious goals.

Our five-year collaboration with the University of California to establish the Laboratory for Genomics Research (LGR) is designed to create a state-of-the-art lab to apply CRISPR gene editing technologies to drug discovery. The new laboratory will explore how gene mutations cause disease and will aim to develop new CRISPR-based technologies to understand gene function. With genetically-validated targets twice as likely to become successful medicines, applications of CRISPR to drug discovery will be an important approach to improve R&D productivity.

The LGR programme builds on our 2018 collaboration with 23andMe, the world's leading consumer and research genetics company, by enhancing our ability to identify the function of disease-relevant genes and validate high-potential disease targets. We aim to begin our first clinical programme with 23andMe in 2020 and have eight ongoing joint programmes across oncology, immunology, neurology and cardiovascular. LGR also extends the relevance of other genetics and genomics collaborations, such as the Open Targets collaboration which has led to the discovery of a new synthetic lethal target for treating cancers with genomic instability (WRN ReqQ Helicase) by GSK scientists in collaboration with the Sanger Institute in the UK. Additional important collaborations include FinnGen, the UK Biobank, and the Dutch Human Functional Genomics Project, with which ViiV Healthcare has announced a five-year collaboration.

Delivering next generation medicines

We are evolving our culture in R&D so that we are better equipped to discover and deliver the next generation of transformational medicines. We are incentivising scientists to have a mindset of single-point accountability and smart risk taking, where courageous decisions are made and owned by individuals, rather than being consensus-driven.

Significant steps have been taken across R&D to ensure we are prioritising our best assets, and ending or exiting under-performing programmes. Moving away from a therapy area based approach to research is helping our teams to focus on the molecules most likely to become medicines.

We are embracing fresh thinking with new talent in 24% of key R&D roles, around half joining from outside the company, and we have moved to a more integrated governance model, involving scientific peer review, commercial input and data-driven decisions.

Performance

Pharmaceuticals turnover in 2019 was £17,554 million, up 2% AER, but flat at CER. HIV sales were up 3% AER, 1% CER, to £4,854 million. Respiratory sales were up 18% AER, 15% CER, to £3,081 million. Sales of Established Pharmaceuticals were £8,776 million, down 7% AER, 8% CER. See Group financial review on page 49 for full details.

Accelerating growth and transitioning towards specialty care

In 2019, we continued to align our resources behind the markets, therapy areas and brands with the greatest opportunity for growth, to improve our performance. Excellent execution of launches in HIV and respiratory was a major focus. By concentrating on key markets and assets, and our ongoing investment in clinical evidence to deliver compelling and competitive medicine profiles, we achieved strong performances from our new and recent launches, including *Trelegy Ellipta*, *Nucala*, *Juluca* and *Dovato*.

In line with the growing shift in our portfolio to innovative specialty care products, including oncology, we reinforced our capabilities in these areas. In anticipation of our three oncology launches in 2020, and leveraging our acquisition of Tesaro, we made rapid and material progress in developing our oncology commercial expertise. We are recruiting outstanding people with a track record of success in oncology into key markets, including rebalancing our US salesforce. We also increased our broader investment in specialty care, for example with *Benlysta*, where additional resource and a new team drove strong performance.

As part of our two-year programme to prepare for separation, and to support our long-term priorities, we will further rationalise our portfolio through divestments. We plan to review several assets including our prescription dermatology business.

Engaging with healthcare professionals

To further support this transition towards a more specialty care focused portfolio, we revised our incentive programme for sales representatives in certain countries. This will allow us to attract and retain the best salespeople, enhancing the quality of our dialogue with healthcare professionals (HCPs) to help them better serve patients. The changes uphold our ethical and values-led approach to HCP engagement, in full compliance with laws and policies, while supporting delivery of strong performance. They were applied initially in the US, UK and Canada, with comprehensive training, controls and monitoring to ensure appropriate implementation.

We also evolved the way we engage with HCPs in certain countries to improve understanding of new data and clinical experience with our innovative products, and to deliver better outcomes for patients. This included the introduction of scientific workshops to enable interactive debate with and among HCPs, and an increased use of digital channels to support scientific engagement through virtual advisory boards and educational activities such as webinars. These initiatives have been well-received with positive feedback from HCPs. Early indications suggest the changes are enhancing understanding of the science behind key medicines, including *Nucala* and our 2DR HIV treatments.

Creating a specialty-ready, more competitive supply chain

Reliable supply is core to growth in key therapy areas. We are creating a more modern, agile supply chain, underpinned by new technology, that can launch specialty medicines at speed, while accelerating delivery across our portfolio.

In 2019, we opened a next-generation biopharmaceutical manufacturing facility at our Upper Merion, Pennsylvania site. This technologically-advanced $120 million manufacturing hub has the flexibility and speed necessary for making complex specialty medicines. A new analytical lab is also part of the facility, which brings together the R&D and manufacturing teams at Upper Merion. This will help us develop a more highly-skilled workforce, improved technological and scientific capabilities and the right infrastructure to research potential new genetic targets and manufacture them into new medicines. We also completed a $139 million expansion of our Rockville, Maryland site, which will increase manufacturing capacity for *Benlysta* by 50%.

In Singapore, we opened a new state-of-the-art pharmaceutical manufacturing facility at our Jurong site. The $96 million development included the creation of two continuous manufacturing facilities, and the expansion and modernisation of an existing production unit. The transformation is expected to significantly improve efficiency, expand capacity for manufacturing our assets, including daprodustat and dolutegravir, and reduce medicine production times.

In 2019, we completed exits of the Guarulhos, Brazil, Cork, Ireland and Suzhou, China sites from our network, and initiated the exit of the Verona, Italy site, which we expect to complete in 2020.

Improving supply performance

Our on-time in-full supply performance levels to customers again improved, putting GSK in the top quartile as benchmarked with our peers on this measure. Productivity levels have now risen by more than 20% over the past three years. All new products were introduced on time, including successful delivery of first-market launches for *Dovato* and the new *Nucala* self-administration options.

We continued to perform well against safety, quality and compliance measures. There were 101 Pharmaceutical regulatory inspections in 2019, all satisfactory.

Digital transformation

We are progressing towards our goal of becoming a digital and data-driven organisation. In 2019, we continued to improve the way we harness technology, developing new ways of working to drive performance and increase our ability to deliver medicines to patients. We are leveraging data to unlock smarter, faster interactions with our customers and understand the impact our commercial activities have on prescribing. This includes piloting artificial intelligence-driven recommendations to help optimise our HCP engagement. We are also applying advanced analytics to drive efficiencies across the business, from supply chain management and manufacturing to our commercial operations, identifying opportunities to free up resources.

Vaccines

We are the world's largest vaccines company by revenue, delivering vaccines that protect people at all stages of life. Our R&D focuses on developing vaccines against infectious diseases that combine high medical need and strong market potential.

Innovation

- Progressed four new candidate vaccines into human trials, including one using a novel vaccine technology (SAM)
- Received FDA fast track designation for all three RSV candidate vaccines
- Increased pipeline focus on therapeutic and antimicrobial resistance vaccines
- Agreed three partnerships to accelerate the development of new assets or technology

Read more below

Performance

- Total 2019 turnover £7.2 billion, up 21% AER, up 19% CER primarily driven by growth in *Shingrix*
- Optimised our supply chain to increase *Shingrix* production capabilities
- Received authorisation of *Shingrix* in China for the prevention of shingles in adults aged 50 and over

Read more on page 26

Trust

- Released positive final phase II results of our TB candidate vaccine and announced its licensing to the Gates MRI for its continued development for low income countries with high TB burden in January 2020
- Launched our RTS,S malaria vaccine, in selected regions of Malawi, Ghana and Kenya as part of a WHO-coordinated pilot programme
- Made our adjuvant technology available to partners including CEPI in early 2020 to support rapid development of candidate vaccines against coronavirus (SARS-CoV-2)

Read more on pages 30 to 42

Innovation

Our R&D approach is powered by the multiplier effect of Science x Technology x Culture. This focus is expected to enable us to develop and deliver groundbreaking vaccines, remain at the forefront of vaccines science, and leverage new disruptive technologies: all within an R&D culture built on smart risk taking and that attracts, develops and retains the best people, and partners with leading experts.

We have 15 innovative assets in clinical development, with key data readouts on several candidate vaccines expected in 2020. We classify our vaccine pipeline in three categories (life-cycle management, new commercial assets and global health assets) to ensure we allocate the appropriate resources to priority vaccine development programmes that deliver the best value to society and support the Group's strategy.

The category 'life-cycle management' is focused on the development of new presentations and indications, and on the geographic expansion of our marketed vaccines. We classify as 'new commercial assets', those vaccine candidates with the potential to make the greatest contribution to our commercial success in the future, and 'new global health assets', as those vaccine candidates with the highest potential to impact on global health threats. In the development of our global health assets we are using our science, including proprietary technology platforms, and focusing our investment for maximum impact while ensuring the development is sustainable and backed by strong partnerships (see Trust on page 31).

In 2019, we accelerated the development of our candidate vaccines against respiratory syncytial virus (RSV), and advanced our therapeutic candidate vaccine against chronic obstructive pulmonary disease (COPD). We progressed four new strategic candidate vaccines into human trials; one for RSV in older adults, the second against *Clostridium difficile* which could help to address antimicrobial resistance, the third, testing our SAM technology in a rabies model, and the fourth, our therapeutic candidate vaccine against chronic hepatitis B. To focus our work, we also terminated our hepatitis C virus and universal flu programmes as they had not met our expectations. Our work on an HIV candidate vaccine for developing countries was discontinued after clinical results showed lack of efficacy. We also transferred our candidate vaccines against Ebola and Marburg viruses to the Sabin Vaccine Institute (see page 31).

Our expertise in both vaccines and advanced technology has allowed us to focus our technologies on therapeutic and antimicrobial resistance candidate vaccines. This also puts us in a strong competitive position in the new era of therapeutic vaccines. Our pipeline will increasingly expand from prophylactic assets to include therapeutic assets which can provide benefits throughout the course of life. We are investing in several therapeutic assets (including moving our candidate vaccine against chronic hepatitis B into phase I/II clinical development) that have the additional benefit of accelerated delivery, as they typically involve shorter regulatory lead times and allow for accelerated clinical testing.

Our vaccines scientists are the foundation of our innovation success and we continue to evolve our culture to focus on creating an environment where people take accountability, smart risks and focus on accelerating development timelines. In 2019, we simplified our governance process and implemented single point decision making. In early 2020 we announced the proposal to create a development organisation for all GSK R&D as part of our two-year programme to create a New GSK with a common R&D approach. We have made progress in accelerating priority pipeline assets, including accelerating the delivery of our RSV portfolio. This has been achieved by challenging our approach to regulatory engagement and using techniques such as adaptive clinical trial design and quality by design to reduce manufacturing scale-up time.

Developing and delivering ground-breaking vaccines: RSV and COPD

An important factor determining the development of vaccine candidates in our pipeline is the burden of the disease – both COPD and infections with RSV have a high prevalence and medical need and are therefore key assets in our pipeline.

RSV

We have a portfolio of three different candidate vaccines against RSV, the most common cause of lower respiratory tract infection. Currently no vaccine protects against this virus which, in the US alone, leads to 177,000 hospitalisations and 14,000 adult deaths every year.

Each of our three RSV candidate vaccines is tailored to meet the specific needs of its target group: maternal, paediatric and older adults. Given their promising early results and the strong medical need, all three RSV candidate vaccines have been FDA fast tracked in 2019. They are in phase I/II trials with key data readouts expected in 2020.

Our maternal RSV candidate is based on a recombinant pre-fusion antigen, our paediatric RSV candidate harnesses our adenovirus vector technology and our older adult RSV candidate, for people over 60, leverages the recombinant pre-fusion antigen combined with our AS01 adjuvant system, which is a key ingredient in *Shingrix*, enabling its efficacy and success in market.

COPD

One in 20 of all deaths globally is caused by COPD, but no vaccine currently exists to prevent the disease. Our COPD candidate is a therapeutic vaccine aimed at reducing the frequency of acute exacerbations and slowing disease progression in COPD sufferers. It contains four bacterial antigens and our AS01 adjuvant system. The programme complements our leadership in medicines for respiratory diseases. To date we have demonstrated that our adjuvanted COPD vaccine candidate is safe and highly immunogenic. In 2019, enrolment for our phase IIb study in adults was completed ahead of plan and the study results are due in 2020.

Life-cycle management: shingles and meningitis

We balance the focus on our strong pipeline with the active life-cycle management of our marketed vaccines. This enables us to deliver new presentations and reach more populations and geographies with our established vaccines, ensuring they continue to play a strong role in our business performance. Six of our pipeline programmes are evolutions of our existing products or franchises.

Shingles

Shingrix marks a step change in the prevention of shingles, a painful and potentially serious illness. The vaccine addresses the age-related decline in immunity, achieving more than 90% efficacy across all age groups. It is the first non-live shingles vaccine to combine a specific antigen with an adjuvant to sustain the immune response. In 2019 we published new clinical data supporting the use of *Shingrix* in adults at greater risk of shingles due to conditions such as cancer or organ transplant. We are currently exploring the possibility of extending the vaccine's indication based on these results.

Shingrix received the prestigious Prix Galien award in every country where it was available in 2019: US (best pharmaceutical product), Germany (best primary care product), and Canada (best innovative product). The Prix Galien is considered the world's leading award for innovation and excellence in medical products and devices.

Vaccines continued

Meningitis

We are the market leader in vaccines against meningococcal meningitis, based on 2019 revenue with our complementary portfolio of *Bexsero*, targeting serogroup B, and *Menveo*, against serogroups A, C, W, and Y. Since its launch in 2015 *Bexsero* has become the industry-leading meningitis B vaccine. In the US, where it is licensed for 10 to 25 year olds, a phase III trial is currently evaluating lowering the age indication to two months. Simultaneously, an alternative, liquid presentation of *Menveo* is progressing through phase II trials to simplify vaccine preparation steps for healthcare providers. In January 2020, the *New England Journal of Medicine* published two independent meningitis B studies demonstrating the real world impact of *Bexsero* in reducing disease in infants – showing a 75% drop in cases in the UK over three years – and the need for direct, individual protection among adolescents. The US FDA approved the indication of a single booster dose administration of *Menveo* to individuals aged 15 to 55 years who are at continued risk of meningococcal disease if at least four years have elapsed since a previous dose.

We remain committed to developing a pentavalent meningitis ABCWY vaccine targeting the five most common meningococcal serogroups. Our research efforts are building on our successful vaccines *Bexsero* and *Menveo*, combining the antigens of these two vaccines with favourable safety and efficacy profiles. Following the completion of the phase II studies in 2019, we are in discussion with the regulatory authorities about a potential phase III start. Key data are expected to be published in 2020.

Leveraging advanced technologies

Our expertise and capabilities in developing and applying advanced technologies is an important differentiator. We have led the industry in adjuvant technology for decades and continue to innovate in this field.

Our adjuvant technology platforms, which lead to an enhanced immune response, play a key role in our innovation: our AS01 adjuvant technology is a key component in six of our pipeline assets, including our RSV and COPD candidate vaccines, as well as enabling the success of our licensed *Shingrix* vaccine. Our AS03 adjuvant technology has been made available to partners including CEPI for collaborations to strengthen the global response to the coronavirus epidemic (SARS-CoV-2).

Our SAM platform – which started clinical investigation in August 2019 – has the potential to significantly reduce the lead time of vaccines research, enable faster, simpler manufacturing, and improve vaccine potency. Other novel technologies we have been progressing in 2019 include bioconjugates and generalised modules for membrane antigens (GMMA), used to investigate two shigella candidates currently in phase II (see Trust section).

Partnerships

Partnerships are central to our innovation strategy and to our efforts to accelerate vaccine development. We collaborate with leading experts, institutions and companies to access external, cutting-edge technology and expertise. We aim to be the scientific partner of choice and currently have more than 110 external collaborations across multiple fields.

In 2019, we continued building valuable partnerships, including one to develop a new vaccine to prevent cervical cancer, with Innovax and Xiamen University in China. We established a collaboration with VBI, a biotech company, to facilitate development of a specialised therapeutic vaccine candidate for patients with recurrent glioblastoma. We also established a partnership with Viome, a company with deep expertise in understanding the gut microflora and its role in chronic diseases, to facilitate vaccine development to prevent or even treat such conditions.

Vaccines pipeline

Phase	Indication/vaccine	
Registration	*Shingrix* immunocompromised*	●
	Rotarix liquid (PCV free[1])	●
Phase III	*Bexsero* infants (US)	●
	MMR (US)	●
Phase II	Therapeutic COPD*	●
	RSV paediatric	●
	MenABCWY	●
	Menveo liquid	●
	Malaria (fractional dose)*	●
	Shigella*	●
	RSV maternal*	●
Phase I/II	RSV older adults*	●
	Therapeutic chronic hepatitis B*	●
	Clostridium difficile	●
	SAM (rabies model)	●

● Commercial assets ● Global Health assets ● Life-cycle management

* In-license or other alliance relationship with third party.
1 Porcine circo virus free formulation.

Performance

Vaccines turnover in 2019 was £7,157 million, up 21% AER and 19% CER, primarily driven by growth in sales of *Shingrix*. Meningitis vaccines also contributed significantly to growth. See Group financial review on page 57 for full details.

Our future growth strategy

Our ambition is to continue to grow our business ahead of the global vaccines market. To achieve this objective, we are prioritising our key assets, *Shingrix* and *Bexsero* and focusing on the US and China, the world's two largest vaccines markets.

As our *Shingrix* manufacturing capacity increases, we have the opportunity to expand this vaccine's geographic footprint over time. During the year we received regulatory approval for *Shingrix* in China where we plan to have a phased launch to ensure continuity of supply. There is also potential to expand the reach of *Shingrix* by increasing the coverage in eligible adults in the US and through extending its indication to younger, immune-compromised adults.

Our other key strategic asset, *Bexsero*, already has a 70% share of the global meningitis B vaccines market, based on 2019 revenue. To further grow *Bexsero*, our main geographic focus will be on the EU and US. In the EU, our infant indication has a strong market advantage, as the competitor product only offers adolescent protection. In the US, our short immunisation schedule, that allows for both doses to be taken within one month, is particularly relevant during local meningitis outbreaks.

To further expand in the US, besides *Shingrix* and *Bexsero*, we are developing assets specifically for the US market, including an MMR vaccine and a PCV-free formulation rotavirus vaccine, both currently in phase III testing. In China, we plan to leverage our established vaccine portfolio, including *Cervarix* and *Engerix-B*, as well as licensing more of our existing vaccines in the future.

Creating a simpler, more competitive supply chain

We have a world-class network of 12 manufacturing sites, across 9 countries. This gives us a strategic global supply capability, which allows us to produce and deliver around 2 million vaccine doses every day.

We have directed significant capital into expanding our supply chain capacity to meet the demand for *Shingrix* and are working on creating a new purpose-built facility which we expect to bring on line from 2024. Based on our strengthened manufacturing capacity, we achieved supply of high teens of millions of doses in 2019, over a year ahead of our original plans. In the meantime, we are ensuring continuity of supply across the markets that have already launched *Shingrix* and by phased launches in additional markets.

In 2019, to improve focus and efficiency, we divested two of our sites, in Ankleshwar, India and Tianyuan, China. We have also transferred to Bavarian Nordic two of our travel vaccines, against rabies and tick-born encephalitis.

Supply performance

Our supply performance has continued to improve as demonstrated by our *Bexsero*, *Shingrix* and flu supply. In 2019, we shipped 701 million doses and achieved strong on-time, in-full (OTIF) delivery.

As part of our two-year programme to create New GSK, we will optimise our Vaccines manufacturing network to support both commercial and pipeline assets. This will include investment in lyophilisation facilities, filling and packaging technologies and further simplification of supply chain processes.

All Vaccines' sites inspected by the FDA in 2019 passed. In Belgium, our pertussis acellular manufacturing facility passed an FDA pre-approval inspection, while our new inactivated poliovirus vaccine unit is on track to file for EU approval.

Digital transformation

We are progressing towards our goal of becoming a digital and data-driven organisation. In 2019, we continued to improve the way we harness technology, developing new ways of working to drive performance and increase our ability to deliver vaccines to people around the world. We are leveraging data, artificial intelligence and digital models to optimise our research and development projects as well as our supply network to drive efficiencies across the business.

Consumer Healthcare

Our world-leading Consumer Healthcare business combines science and consumer insights to create innovative everyday healthcare brands that consumers trust and experts recommend for oral health, pain relief, cold, flu and allergy relief, digestive health, and vitamins, minerals and supplements.

Progress against our long-term priorities

Innovation

- 44 first market launches across all categories including *Sensodyne Pronamel Intensive Enamel Repair* and *TUMS Chewy Bites with Cooling Sensation*
- 133 new innovation roll-outs including *Sensodyne Sensitivity & Gum and Polident Cushion and Comfort*

Read more below

Performance

- Total 2019 turnover £9.0 billion, up 17% AER, up 17% CER, up 2% proforma
- Completed joint venture with Pfizer that combined our consumer healthcare businesses; on track to deliver synergies of £500 million total annual cost savings by 2022

Read more on pages 28 to 29

Trust

- Supply chain service levels continued to improve, with excellent on-time, in-full delivery performance
- Helped 3,500 children access free life-changing cleft lip and palate surgery and comprehensive cleft care through our partnership with Smile Train

Read more on pages 30 to 42

Innovation

In 2019, we closed a deal with Pfizer to combine our two consumer healthcare businesses, making us number one globally in over-the-counter (OTC) medicines and therapeutic oral health, and giving us leading positions in key geographies including the US and China[1].

The proportion of our sales in 2019 from products introduced in the past three years was 12%.

Delivering best-in-class innovation

We combine deep consumer insights and scientific and technical expertise to deliver innovations across each of our categories. For example, in oral health we launched our most advanced formulation for enamel care, *Pronamel Intensive Enamel Repair* toothpaste, in the US, UK and Germany. With more than 80% of people globally at risk of enamel wear, and 30% of European adults aged 18-35 already showing moderate signs of enamel wear, this formula is proven to actively repair acid-weakened enamel to help people strengthen and protect their teeth.

Another launch in 2019 was *Sensodyne Sensitivity & Gum*, which was developed for approximately one third of the adult population that experience tooth sensitivity, with over half of them also experiencing gum problems. The new offering provides dual relief for sensitivity and bleeding gums, all in one daily toothpaste. It launched in over 30 markets including the UK and Turkey.

In denture care, our consumer insights show that denture wearers experience gum discomfort on a regular basis and this can have a significant impact on their lives. To address this, we developed *Polident Cushion and Comfort* which provides better cushioning and comfort for tired and tender gums as well as providing a strong denture adhesive. In 2019, it launched in 14 markets including Italy and Spain.

In pain relief, we gained approval from the FDA in February 2020 for *Voltaren Arthritis Pain* as an OTC product for the temporary relief of arthritis pain. *Voltaren Arthritis Pain* is the first prescription strength, nonsteroidal anti-inflammatory (NSAID) topical gel for arthritis pain available OTC in the US to the nearly 30 million Americans with osteoarthritis.

TUMS, an almost 90-year-old brand, continues to innovate by focusing on improving fast heartburn relief. One of the most common heartburn symptoms is a burning sensation in the mouth and throat. *TUMS Chewy Bites* have always been fast acting, but it was essential that we develop an antacid that consumers could also feel working. To address this, we created *TUMS Chewy Bites with Cooling Sensation*; it goes to work in seconds while providing a cooling sensation so consumers can cool down and fight heartburn fast.

[1]. Based on Nicholas Hall's DB6 Global OTC Database 2018.

Building industry-leading capabilities

Our Consumer Sensory Labs around the world enable us to listen to, understand and meet the needs of consumers. Every year, we carry out research involving around 10,000 consumers either in one of our three Consumer Sensory Labs or in consumers' homes to gain deeper understanding of consumer reactions to products during the development process to help improve our brands and develop new ones.

In 2019, we added a Consumer Sensory Lab facility in the US through our joint venture and during 2020, we plan to open a new Lab in China to further enhance our capabilities.

Through our research, we found that consumers in India and China are increasingly looking for products that combine science and natural or traditional approaches. Leveraging these insights we developed *Sensodyne Herbal Multi-Care* toothpaste for the relief of sensitive teeth which captures the flavours of eucalyptus and fennel.

The increasing use of digital technology is revolutionising the way consumers buy and use healthcare products. We are using the joint venture with Pfizer as an opportunity to further build our digital innovation capabilities and evolve our Digital Innovation Hub. The team will develop innovations that are focused on creating platforms and business models that will meet the future healthcare needs of consumers.

Performance

Consumer Healthcare sales in 2019 were £8,995 million, up 17% AER and 17% CER. On a pro-forma basis, sales grew 2%, driven by strong performance in the oral health category, partly offset by a decline in skin health. Mid year we completed the joint venture with Pfizer, creating a leading Consumer Healthcare business.

We are leveraging the joint venture integration as a catalyst to accelerate growth and drive innovation. We are sharpening our strategic resource allocation to ensure we focus our investments on the right markets and brands so that we can generate the strongest growth and highest returns. Our power brand portfolio has expanded with the addition of *Advil* and *Centrum* alongside our seven other power brands including *Sensodyne*, *Voltaren* and *Theraflu*. Our local star brands are geographically concentrated in one or more key markets, such as *TUMS*, *Emergen-C* and *ChapStick* in the US, or *Caltrate* and *Fenbid* in China. Together, power brands and local stars will drive performance of Consumer Healthcare and reinforce our global leadership in pain relief, respiratory, wellness and therapeutic oral health.

We are redefining our operating model to reflect the global and local nature of our brands, moving accountabilities and decision making closer to consumers and customers to accelerate our speed to market and leverage the scale and expertise of our global portfolio. We are also investing in key capabilities such as digital, data and analytics, and sustainability, to unlock growth and ensure that we meet the expectations of consumers and customers.

Creating a world-leading Consumer Healthcare company

Since completing the transaction with Pfizer to create a new Consumer Healthcare Joint Venture on 31 July 2019, we have made good progress towards integrating the two businesses. On Day 1 of the joint venture, we completed legal closes in 15 markets, including our two biggest markets, the US and China, all together accounting for more than 80% of Pfizer Consumer Healthcare revenues. Following the close, no business continuity issues or significant employee experience issues were reported, and we completed the appointment of approximately 500 critical leadership roles. By the end of 2019 we completed legal closes of the joint venture in 40% of the local markets and continue to work towards local closes in remaining markets during 2020.

At the same time as announcing the joint venture, we announced our intention to separate Consumer Healthcare via a demerger within around three years of closing the transaction. Through the 'Future Ready' programme, planning work has begun to prepare for our future separation and is focused on building the key technology infrastructure and support functions necessary to operate as a standalone company. This work will continue in parallel with integration of the joint venture and delivery of planned savings.

We are on track to deliver £0.5 billion synergies by 2022. Synergies are expected to be achieved from a number of areas, including network rationalisation, logistics and infrastructure, advertising and marketing, sales and distribution and functional support. Up to 25% of the cost savings generated are intended to be reinvested in the joint venture to support innovation and other growth opportunities. Overall, the Consumer Healthcare joint venture is targeting an adjusted operating margin percentage in the mid-to-high 20s by 2022.

Work is continuing to secure required regulatory approvals for the proposed sale of *Horlicks* and other consumer health food drinks brands to Unilever, as announced in December 2018 following a strategic review of our nutrition portfolio. We are also progressing with the proposed merger of our 72.5% stake in GlaxoSmithKline Consumer Healthcare Limited in India with Hindustan Unilever Limited, which would allow Hindustan Unilever Limited to sell and distribute our OTC and oral health brands in India through a distribution arrangement. The transaction is expected to be finalised around the end of Q1 2020, subject to approvals.

Consumer Healthcare continued

Leading for growth

As we create our new business, we are evolving our culture to put consumers and customers at the heart of every decision we take, build leadership capabilities and drive performance. In the second half of 2019, we took steps to define the behaviours and mindsets required to embed effective decision making, clarity of accountability and courageous straight talk. Our top 100 leaders are building strong ownership and are acting as culture ambassadors across the business. We deployed a streamlined decision making tool designed to help identify the single point of accountability, and we plan to roll this out during 2020. We have also implemented High Performing Team development programmes to around 91 of our most senior leadership teams, with an emphasis on straight talk and decision making. We are actively listening and taking action on employee feedback and on the perception and evolution of our culture, integration planning and engagement through our quarterly Consumer Healthcare Pulse surveys and the annual GSK employee survey (see pages 35 to 36).

Digital transformation

By putting digital technology at the heart of our business, we aim to deliver more meaningful interactions with consumers, fuel brand growth and achieve efficiency savings. In 2019, we continued to accelerate our digital transformation and prioritise building our digital capabilities, including hiring expert new talent.

We launched a three-year Asia Pacific Digital Accelerator programme to drive sales through digital commerce and promote a digital-first culture within the region. The programme integrates external digital experts into GSK Consumer Healthcare's team in different countries across Asia Pacific to enhance digital capabilities, build internal capacity and embed agile ways of working.

We have made progress transforming our marketing model and capabilities in strategically important areas, most notably through the creation of the cutting-edge marketing services team which leverages technology solutions, data and strategic partnerships to provide specialist marketing capabilities at scale to improve the quality and effectiveness of marketing campaigns.

By combining our anonymised first-party data with Google's second-party data and leveraging additional technology platforms, we identify signals that help us target specific audiences, based on their behaviours, with dynamic and relevant content across media platforms.

We have rolled out a new technology platform in 92 markets which enables us to track media spend in real time, enabling us to optimise campaign performance, target audiences with greater precision and create valuable first party data. Together, the insights provided through these platforms are delivering an improved consumer experience with more personalised content and efficiency savings.

Winning with shoppers, customers and experts

Expert endorsement builds trust in our brands and drives shopper purchase decisions. *Sensodyne* retains its unequalled number one leadership position with dentists as a brand recommended most often for sensitivity in 70% of markets in which we compete. Of our OTC brands, 70% are sold in pharmacies. We continued to prioritise our relationships with dentists and pharmacists and to invest in information that supports our products. In 2019, our expert sales representatives called on 400,000 dentists in over 90 markets to share relevant science-based information.

We have Shopper Science Labs in the UK, US and Singapore that use state-of-the-art technology to track shopper behaviour in real time to provide us with rich insights on consumers' shopping habits around the world. We have additional satellite lab facilities located in Canada, South Africa and Mexico and by the headquarters of our major US retail partners.

In 2019, we leveraged our Shopper Science Labs to strengthen our customer relationships, developing an ecommerce evaluation tool that enables us to overlay digital content and integrate digital prototyping tools with key retailer websites, including Amazon.com and Tesco.com, to simulate a realistic ecommerce shopping experience with shoppers.

Creating a simpler, competitive supply chain

We continue to drive strong improvement in service to our customers with continued excellent on-time, in-full service levels. This has allowed our supply chain to focus on opportunities for driving more value for the business, consumers and the environment by eliminating waste, packaging and costs.

The joint venture has provided a renewed focus on cost saving initiatives with a leaner structure in non-manufacturing site teams to drive synergy savings and increase speed of decision making. This includes the optimisation of our manufacturing network – consolidating and maximising capacity in our own sites and streamlining the number of contract manufacturers (CMOs) we use to ensure we have the right balance of trusted, cost-efficient manufacturing, with clear business continuity plans in place to manage supply stability. During 2019, we announced the closure of Agbara, Nigeria and Dehiwala, Sri Lanka.

In our supply chain, we have consolidated accountability for end-to-end operations in our Regions and built closer partnerships with the local commercial and R&D teams to drive local innovation and significantly improve supply chain agility. Making more products, more frequently, in smaller batches, allows for less inventory, and enables us to respond more quickly and effectively to changing consumer demand.

Trust

Trust is one of our three long-term priorities and is essential to how we achieve our purpose, drive long-term growth and add value for society and our shareholders.

Our commitments on Trust

Our purpose is to help people do more, feel better and live longer

Using our science and technology to address health needs

New medical innovations
Develop differentiated, high-quality and needed medicines, vaccines and consumer healthcare products to improve health

Global health
Improve global health impact through R&D for infectious diseases that affect children and young people in developing countries focusing on HIV, malaria and TB

Health security
Help the world to better prepare for future disease outbreaks with pandemic potential, and tackle antimicrobial resistance

Making our products affordable and available

Pricing
Improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business

Product reach
Use access strategies to reach 800 million underserved people in developing countries with our products by 2025

Healthcare access
Partner to improve disease prevention, awareness and access to healthcare services by 12 million people by 2025

Being a modern employer

Engaged people
Achieve and maintain a competitive employee engagement score by 2022

Inclusion and diversity
Accelerate our progress on inclusion and diversity, aiming for over 37% female representation in senior roles and recognition in global LGBT+ indices, by 2022

Health, wellbeing and development
Be a leading company in how we support employee health, wellbeing and personal development

Being a responsible business

Reliable supply
Commit to quality, safety and reliable supply of our products for patients and consumers

Ethics and values
Operate an ethical, values-driven culture, in which any issues are responded to swiftly and transparently

Data and engagement
Use data responsibly and transparently. Improve patient and scientific engagement

Environment
Reduce our environmental impact by one quarter by 2030

Society has high expectations of businesses, with people rightly expecting companies to behave responsibly and contribute to tackling societal challenges. Operating responsibly brings direct benefits to society but also creates value for our shareholders. It supports our ability to attract and retain talent, manage costs and build trust with patients and consumers, our customers, payers and stakeholders who influence our licence to operate. We have mechanisms to help us identify and respond to our different stakeholder groups (summarised on pages 15 to 16).

The 13 commitments detailed above support our Trust priority in driving progress in the key areas where we can make a significant impact, and ensuring that we are running our business in a responsible way.

These commitments seek to address the most material topics relevant to our stakeholders and to our business, and are designed to help us respond to challenges and opportunities within our industry and society more broadly (see pages 12 to 14). They contribute to many of the UN Sustainable Development Goals (SDGs). As a science-led, global healthcare company, our biggest contribution is towards Goal 3: ensure healthy lives and promote well being for all at all ages.

Our Corporate Responsibility (CR) Committee forms an important part of the Board's oversight of our Trust priority. The Committee provides ongoing scrutiny on progress against our commitments and how the company is addressing the evolving views and expectations of our broad range of stakeholders.

The Corporate Executive Team and senior management oversee implementation of our Trust commitments and report regularly to the CR Committee (see pages 109 to 110).

Trust continued

External benchmarking

- **DJSI:** top of the pharmaceutical industry group for the 2019 Dow Jones Sustainability Index.
- **ATMI:** top of the Access to Medicine Index, and leading the industry in the 2020 Antimicrobial Resistance Benchmark.
- **FTSE4Good:** member of the FTSE4Good Index since 2004.
- **CDP:** in 2019 received a score of 'B' in CDP Climate Change and CDP Water, and named CDP Supplier Engagement Leader.

Our approach to reporting

In this Trust section, we report progress against our 13 commitments. We also publish online detailed information on our contribution to the SDGs, along with an ESG performance summary with current and historical data, and our UN Global Compact Communication on Progress, Global Reporting Initiative index, Sustainability Accounting Standards Board index and assurance statements.

GSK.com: Responsibility reports and data • Our contribution to the SDGs

Science and technology

We are committed to using our science and technology to address health needs. Innovation is at the core of who we are and what we do, and we have a unique opportunity to impact global health – from the prevention and treatment of infectious diseases to urgent public health threats, such as the growing resistance to antibiotics.

New medical innovations

The biggest impact that we can have as a science-led, global healthcare company is to successfully discover and develop innovative products. We are using cutting-edge science and technology to develop differentiated, high-quality and needed medicines, vaccines and consumer healthcare products to improve health. Read more about innovation within our three businesses on pages 17, 23 and 27.

Global health

Our commitment is to improve our global health impact through R&D for infectious diseases that affect children and young people in developing countries focusing on HIV, malaria and TB. Our early discovery work also allows us to pursue promising scientific leads in other developing world diseases, such as Chagas disease, leishmaniasis and sleeping sickness.

We need to ensure a sustainable, collaborative model for translating scientific discoveries into benefit for the most vulnerable patients. To ensure the ongoing sustainability of our investment in global health science, and in the interests of products reaching patients more quickly, we seek development partnerships. Where appropriate, to maximise impact we transfer our technology to third party organisations with the right capability and focus. For example, in 2019 we transferred our Ebola and Marburg vaccine candidates to the Sabin Vaccines Institute. We believe these transfers will help ensure that the vaccine candidate technologies can be developed faster and more efficiently brought to those who need them.

Tuberculosis

TB is the leading cause of death through infectious disease worldwide and represents a significant public health threat. An effective vaccine against TB will have a marked impact on the disease's control – including drug-resistant TB – through interruption of transmission. It will also help to achieve the World Health Organization (WHO) target of ending the TB epidemic by 2035.

In 2019, the final phase IIb results of our candidate vaccine, developed in partnership with IAVI, confirmed primary findings that the vaccine candidate showed reduced risk of developing pulmonary TB by half in HIV-negative adults with latent TB infection. In January 2020, we announced the licensing of this asset to the Bill & Melinda Gates Medical Research Institute for its continued development for low income countries with high TB burden, in line with our global health strategy.

We have a world-leading portfolio of first-in-class medicines for TB, spanning different mechanisms. In combination with other medicines, these may be contenders to transform the TB landscape as part of a new TB regimen that is effective in all patients, even those with resistance to the currently-available TB medicines.

In February 2020, we joined the Partnership to Accelerate New TB Treatments (PAN-TB). This collaboration, involving other companies and the Bill & Melinda Gates Foundation, aims to accelerate the development of a treatment course for any form of TB, even multi-drug resistant forms of the infection, and create a course that is shorter, less complicated, and easier to tolerate than existing options.

Malaria

Our work to fight malaria ranges from developing medicines and vaccines to working with partners to strengthen health systems.

Our RTS,S vaccine is the first vaccine to help protect children against the deadliest form of malaria, *P. falciparum*. In 2019, the WHO-coordinated pilot implementation programme led by local ministries of health, and in partnership with PATH and GSK, launched in selected regions of Malawi, Ghana and Kenya. Every year until 2023, at least 360,000 children are expected to receive the vaccine. We have committed to donating up to 10 million doses and are undertaking additional post-approval pharmacovigilance, effectiveness and impact studies. We are currently working with the WHO and PATH, Gavi and other potential funders to ensure a sustainable supply of the vaccine for a potential broad implementation beyond the pilot.

Tafenoquine (*Krintafel/Kozenis*), our single dose radical cure treatment for *P. vivax malaria*, developed in partnership with Medicines for Malaria Venture, received regulatory approval in malaria endemic countries Brazil, in 2019, and Thailand, in early 2020.

HIV

Through ViiV Healthcare, we are committed to developing and delivering HIV treatment formulations optimised specifically for infants and children under the age of 15. This is driven by the WHO-led Paediatric ARV Drug Optimisation priorities.

In 2019, we continued to progress our clinical development programmes for paediatric formulations of dolutegravir, in partnership with the International Maternal Paediatric Adolescent AIDS Clinical Trials Network and the Paediatric European Network for Treatment of AIDS.

In December 2019, we filed FDA and EU regulatory submissions, seeking approval of the first-ever 5mg dispersible-tablet formulation of dolutegravir, as well as a simplified dosing regimen to optimise use of the existing dolutegravir 50mg film-coated tablet in paediatric HIV patients. These submissions will be the gateway to regulatory submissions in low- and middle-income countries, as well as providing regulatory references for generic manufacturers to register their paediatric formulations under voluntary licensing agreements.

Through our public-private partnership with the Clinton Health Access Initiative, Unitaid and two generic manufacturers (Mylan and Macleods), we are expediting the development, registration and market entry of generic formulations of paediatric dolutegravir in resource-limited settings. The aim of this project is to reduce the gap between our dispersible tablet formulation being available and the generic dispersible tablet formulations being available to children in developing countries to months rather than years.

Other developing world diseases

We pursue the most promising scientific leads in other areas beyond TB, malaria and HIV, both within GSK and through our Tres Cantos Open Lab in Spain and GSK Vaccines Institute for Global Health (GVGH) in Italy.

The Tres Cantos Open Lab furthers R&D for diseases in the developing world by offering external researchers the potential to access GSK's compound library, screening tools and scientific expertise. As well as supporting research into TB and malaria, projects include neglected tropical diseases such as Chagas disease, leishmaniasis and sleeping sickness.

The GVGH aims to discover effective and affordable vaccines for high-burden infectious diseases in developing countries. Around 40 scientists focus on translating laboratory concepts into high-quality vaccines. Current areas of work include shigella, invasive nontyphoidal salmonella, typhoid and paratyphoid fever, and Group A streptococcus.

In February 2020, the Indian health regulatory authorities approved a new vaccine to help protect children against typhoid fever. This had first been developed by the GVGH and then transferred in 2013 to Indian vaccine company, Biological E, once proof-of-concept had been demonstrated. This is the first licensing of a vaccine created in the GVGH's labs and successfully further developed and brought to market through an effective partnership.

GSK.com: Inside the GVGH

Health security

We are using our vaccines, medicines and scientific know-how to help the world better prepare for future disease outbreaks with pandemic potential, and to tackle antimicrobial resistance (AMR).

Pandemic preparedness

GSK is committed to playing our part to prepare for, and respond to, pandemics. We work with governments to support their pandemic readiness plans, and we support the Pandemic Influenza Preparedness Agreement adopted by WHO member states in 2011. In the event of a declared pandemic, we will provide the WHO with real-time access to our pandemic influenza vaccines and antivirals for the world's poorest countries. These commitments are a combination of donations and tiered prices depending on the country's gross national income (GNI). GSK supports the WHO's pandemic preparedness activities, including the Global Influenza Surveillance and Response System – a worldwide network able to rapidly identify and respond to influenza outbreaks including those with pandemic potential.

In February 2020 GSK announced two new collaborations to make our established pandemic vaccine adjuvant platform technology available to enhance the global efforts to develop a vaccine against the 2019 novel coronavirus (SARS-CoV-2). The use of an adjuvant, which is added to some vaccines to enhance the immune response, is of particular importance in a pandemic situation since it can reduce the amount of antigen required per dose, allowing more vaccine doses to be produced and made available to more people. The first collaboration announced is with the Coalition for Epidemic Preparedness Innovations (CEPI) and the University of Queensland, and the second collaboration is with China-based Clover Biopharmaceuticals.

Addressing antimicrobial resistance

AMR is one of the biggest health challenges facing the world. We are playing a leading role in the industry's response and GSK once again ranked first in the Access to Medicine Foundation's 2020 AMR Benchmark for our 2019 performance.

Vaccines play a critical role in avoiding the need for antibiotics, by preventing bacterial, viral and other infections. Our vaccines against diseases such as diphtheria, meningitis, pneumonia and pertussis have protected tens of millions of individuals from bacterial infections, which are major drivers of direct antibiotic prescribing.

In addition, our vaccines for non-bacterial infections, like influenza, rotavirus and malaria, can also prevent unnecessary or avoidable prescribing of antibiotics due to secondary infections. We are committed to researching and developing new vaccines to prevent and mitigate AMR infections and reduce avoidable antibiotic use.

We are one of only a few pharmaceutical companies who actively research and develop new antibiotics to treat resistant infections. In our Pharmaceutical pipeline, gepotidacin is the first in a new chemical class of antibiotics with a mechanism distinct from any currently approved antibiotic. This progressed to phase III clinical research in October 2019 and is being studied to treat patients with uncomplicated urinary tract infection and urogenital gonorrhoea, many of whom contract strains resistant to existing treatments.

However, R&D for many other types of bacterial infections is not economically sustainable under current market conditions. Governments recognise the need for financial support. We have partnered with the US Government's Biomedical Advanced Research and Development Authority and the Defense Threat Reduction Agency. We also support public-private partnerships that aim to speed up the discovery and development of new medicines to treat or prevent resistant bacterial infections through collaboration and capability building.

Through our Survey of Antibiotic Resistance (SOAR) programme, we analyse antibiotic resistance at a local level. We share our findings with healthcare professionals (HCPs) and public health bodies to inform the development of local antibiotic prescribing guidelines. We are one of the few companies sharing our AMR surveillance data publicly, through the open data platform run by the Wellcome Trust and Open Data Institute. In addition, In 2019 we trained 32,841 HCPs across 65 countries on the appropriate use of antibiotics.

In 2019, we started to implement the new global limits for reducing antibiotic discharge from manufacturing into the environment across our own antibiotic factories and suppliers. We are on track to meet these new global limits by the end of 2021. For more on how we address pharmaceuticals in the environment see the Environment section on page 41.

GSK.com: Preparing for future disease threats

Affordability and availability

We are making our products affordable and available to more people around the world through responsible pricing, and strategic access programmes and partnerships.

Pricing

We aim to improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business.

We recognise that pricing of pharmaceutical medicines and vaccines is an important issue in both developed and developing countries, and we understand patient and payer concerns about affordability. When setting the price of our medicines in developed markets, we apply a value-based approach to balance reward for innovation with access and affordability.

We aim to bring truly differentiated, innovative products that bring highly-effective health outcomes for patients and payers, so that even those products with a high cost will bring value to patients and healthcare systems. By investing in genetics, genomics, big data and AI we are accelerating the pace at which we develop transformational medicines, prioritising those molecules with a higher probability of success – we know that genetically-validated drug candidates are twice as likely to become registered medicines, improving the productivity of our R&D investment.

We price our medicines according to the value and outcomes they bring to patients, providers and payers, while being sensitive to market and societal expectations.

In the US, the pricing of all our product launches – including our most recent launches of *Dovato, Nucala Autoinjector, Trelegy Ellipta, Shingrix* and *Juluca* – incorporate specific market dynamics unique to the product, as well as the profile of the new medicine or vaccine in the context of existing treatment options. Over the last five years, the average net price for our products in the US has fallen by 4% per year while the average list price rose by 6.4% per year. In 2019, the average net price across our US portfolio decreased by around 5% while the average list price rose by 2.5%. At the product level, the largest single increase in list price taken was 5% and that resulted in a 4.2% increase in net price. We offer various types of patient assistance to help ensure appropriate access to our medicines.

In 2019, we provided prescribed medicines and vaccines to over 123,000 eligible uninsured patients through our Patient Assistance Programme.

In Europe, we engage with governments and payers to work towards sustainable health systems that support ongoing innovation. For example, the pricing of *Trelegy Ellipta* reflects economic value by demonstrating cost-effectiveness and innovation within an acceptable budget, and offering a potential cost-saving compared with alternatives.

In developing countries, we use innovative pricing structures as part of our access strategies to extend product reach (see pages 33 to 34). Our tiered pricing model for vaccines, for example, is based on four widely recognised World Bank GNI country classifications of high income, upper middle income, lower middle income and low income. Price ceilings and price floors exist for each tier, with ceilings and floors progressively decreasing through the tiers from high to low income countries.

In least developed and low-income countries, we do not file patents for our medicines, and do not enforce historic patents. This allows generic companies to manufacture and supply generic versions of GSK medicines in those countries.

GSK.com: Pricing and access strategies

Product reach

We aim to use access strategies to reach 800 million underserved people in developing countries with our products by 2025. These strategies include tiered pricing, product donations and voluntary licensing agreements to extend access through generic manufacturers. Since we set the target in 2018, our products have reached over 192 million people through these access strategies.[2]

Our tiered pricing principles mean that we reserve our lowest vaccines prices for organisations such as Gavi, the Vaccine Alliance, which supports countries with a GNI per head of less than $1,630. For example, our *Rotarix* vaccine is available in 39 Gavi countries to protect against rotavirus.

1 Price after discounts, rebates or other allowances.
2 Total excludes reach through albendazole donations which will be assessed in 2025.

In 2019, we provided our pneumococcal vaccine, *Synflorix*, to 10 Gavi-eligible countries at a discounted price, reaching over 20 million people.[1] We are committed to delivering 720 million doses of *Synflorix* to Gavi via the current Advanced Market Commitments contract.

In 2019, we distributed around 120,000 doses of our vaccine *Cervarix* in Zimbabwe in support of its multi-age cohort vaccination programme protecting around 54,000 girls against human papillomavirus.[1] We also delivered over 200 million doses of oral polio vaccine to UNICEF in support of the Global Polio Eradication Initiative, reaching over 40 million children.[1]

We continue to innovate to help improve access to vaccines in low-resource settings, and in 2020, we introduced the new multi-monodose blow-fill seal presentation of our vaccine against rotavirus. This was introduced for the first time, in Myanmar, with the support of Gavi. This new presentation helps reduce cold chain volume by 30%, resulting in lower cold chain and transportation costs.

In July 2019, ViiV Healthcare marked the fifth anniversary of its voluntary licensing agreements with the Medicines Patent Pool and Aurobindo Pharma. These agreements currently allow 18 generic manufacturers to produce and sell low cost single or fixed dose combination products containing dolutegravir for adults and children in countries with the highest burden of HIV. This totals 94 and 121 countries for the adult and paediatric agreements respectively, in addition to any country where there is no granted patent in force. By the end of 2019, at least 6.9 million people living with HIV, across 85 countries in the developing world, had access to a generic dolutegravir-containing product, made possible because of these licensing agreements.

In 2019, ViiV Healthcare continued to donate several antiretroviral medicines to Venezuela, a country facing a profound shortage of basic medicines. We were the first pharmaceutical company to donate antiretrovirals to the people living with HIV in this humanitarian crisis. Since February 2018 we have donated over 275,000 packs of antiretrovirals. GSK has also donated over 360,000 vaccines to Colombia to protect Venezuelan migrants in transit or residing in the national territory against rotavirus, pneumococcus, diphtheria, pertussis and tetanus.

Since 1999, we have donated over 9 billion albendazole tablets to the WHO – including 890 million in 2019 – to support efforts to end lymphatic filariasis (LF) and control intestinal worms (soil transmitted helminths) in school-age children. This has benefited patients in 92 countries around the world. GSK remains committed to continuing to donate albendazole tablets until LF is eliminated as a public health problem globally.

Through our partnerships with Americares, Direct Relief, IHP UK and MAP International, nearly 178,000 units of GSK medicines were distributed for humanitarian and emergency response in 51 countries.

GSK.com: Pricing and access strategies

Healthcare access

We aim to partner to improve disease prevention, awareness and access to healthcare services for 12 million people by 2025. Since we set the target in 2018 we have reached nearly 8 million people through these partnerships.

Since 2010, ViiV Healthcare has invested over £60 million into more than 750 Positive Action grants to address HIV stigma and support HIV education and prevention. In 2019 alone, our Positive Action for Children programme directly reached almost 640,000 people. We are committed to supporting partnerships to end AIDS and further ViiV Healthcare's mission of leaving no person living with HIV behind.

We are partnering with Comic Relief to complement our efforts to combat malaria through R&D (see page 31). We have 25 projects in Africa and South East Asia which aim to improve malaria awareness and prevention efforts, and get treatment to the people who need it. Together, through partnerships with local and international organisations, we reached more than 1.1 million people in 2019, including health workers, private providers, and vulnerable populations such as pregnant women and children under five.

In 2019, through our partnerships with Amref Health Africa, CARE International and Save the Children, we helped to train over 18,000 frontline health workers, and approximately two million people were directly reached with a health worker, healthcare service or health facility.[2]

Our partnership with Save the Children aims to help reduce child mortality. In 2019, the partnership reached approximately 114,000 children under five (almost 3 million children since 2013) with interventions including: widening immunisation coverage, accelerating access treatments and strengthening healthcare systems. In 2019, we also launched a new programme in Nigeria focused on preventing infectious disease in children.

In 2019, 3,500 children received free, life-changing surgery and comprehensive cleft care through our partnership with Smile Train. Together with the World Dental Federation and Smile Train, we have launched a new two-year project to improve oral health guidance and ongoing care for children with clefts. In India, we also funded the Smile Train Toll-Free Cleft help-line, which provides people with information about cleft treatment and support.

1 People reached/protected is calculated by dividing the total number of doses supplied to Gavi or UNICEF by the number of doses needed to complete a full schedule of vaccination allowing for WHO estimates of wastage.

2 Health worker data is estimated based on 2018 reach through the same partner programmes and level of funding. Final 2019 data is expected to be available in April 2020.

Our Allied Against Dengue campaign in India and South East Asia was created to bring together key stakeholders and partners to prevent and treat outbreaks of dengue fever, a potentially fatal mosquito-borne disease. In 2019, we trained over 3,700 healthcare workers and reached over 147,000 people through a range of programmes to mobilise communities and promote behaviour change.

Our global contribution to community health programmes amounted to £263 million[1] in 2019. This includes cash, product donations and the volunteering time of our employees to help improve healthcare access.

GSK.com: Prevention, awareness and infrastructure
ViiVHealthcare.com: Positive Action programmes

Modern employer

As a modern employer, we believe that a strong employee experience is critical to attract, retain and motivate the best people to support our business now and in the future. We launched our modern employer ambition in 2018, focusing on inclusion and diversity, health and wellbeing and employee development. The aim is to ensure our people are empowered to be themselves, feel good and keep growing at GSK.

Engaged people

Employee engagement is an important barometer to gauge how our people feel about working at GSK. We aim to achieve and maintain a competitive employee engagement score by 2022.

We survey our employees to get feedback about how we are doing on our long-term priorities and culture change. In 2019, we had a good response rate for both surveys (81% in April and 78% in September) and we achieved our highest engagement score in ten years in April (80%), and maintained a strong score in September (78%).

We continue to drive engagement through Let's Talk sessions with our executive teams and Workplace – our collaborative online platform. This enables two-way informal communication and collaboration, discussing topics that matter to both employees and GSK, sharing knowledge and perspectives to support greater understanding and faster, more effective decision-making across the organisation. In any given month, 71% of our employees are actively connecting to the platform to get their work done and 77% are reading content from the company and business unit groups.

Inclusion and diversity

We believe strongly in inclusion and diversity. Not only is it the right way to do business, but it also leads to business success, unleashing the enormous potential of the differing knowledge, experiences and styles of our people, enhancing our ability to respond to the differing needs of our patients and consumers.

Our employees should be able to bring their authentic selves to work. We were encouraged by the results of our employee survey in September 2019, which included the question 'I can be my authentic self when working at GSK' which received a favourable score of 76%, and 81% said that they feel respected at work.

At GSK, we have four diversity councils (covering gender, ethnicity, LGBT+ and disability), each chaired by an executive team member. The councils support our inclusion and diversity agenda, with input from our employee resource groups.

We are committed to improving ethnic representation at all levels in GSK, and work with our new ethnicity council to remove barriers, increase understanding and ensure equal opportunities.

Our goal is to be recognised in global LGBT+ indices and in 2019 LGBT+ rights group, Stonewall, recognised GSK in its Top Global Employers list. In the UK, Stonewall also named our employee resource group for LGBT+ employees and allies as the best in the UK. In the US, GSK was named Best Place to Work for LGBT equality for the fourth consecutive year in Human Rights Campaign's Corporate Equality Index.

In addition, we are signatories to the UK Department for International Development's Charter for Change, joining other organisations with a common aim to ensure rights, freedoms, dignity and inclusion for people with disabilities.

Gender diversity

Our goal is that by 2022 we will have over 37% female representation in senior roles.

The percentage of women in management has continued to rise at GSK. In 2019, women represented 47% of all management roles (45% in 2018), and 36% of senior management roles – VP and above – up from 33% in 2018. The latest Hampton-Alexander Review of FTSE 100 companies found that GSK had the third highest proportion of women on the Board (an increase from sixth in 2018) with 45.5% female representation. It also found that we had exceeded the target of 33% women on the Board and in the direct reports to the Corporate Executive Team.

GSK is one of 12 prominent healthcare and life science companies to join the Healthcare Businesswomen's Association Gender Parity Collaborative in the US. This was launched in 2018 to foster measurable gender parity progress in the industry.

We are improving gender balance by encouraging and supporting more women to develop as leaders. In 2019, we provided 130 high-performing female managers with coaching and support through our Accelerating Difference programme. We also recruit and support women early in their careers, with women representing 38% of our apprentices and 58% of our graduates in 2019. As a result of our efforts to develop our female employees during the year, three women from GSK were included in the Women's Engineering Society Top 50 Women in Engineering: current and former apprentices, and GSK India was named by Avtar as among the best companies for women to work for.

1 Figure includes contributions from the Tesaro portfolio.

We have a long-standing commitment to fair and equal pay. We conduct country-based reviews and ensure all markets have clear guidance, tools and support to ensure pay equity. If unexplainable differences are detected, these are addressed through our compensation processes.

We published our third UK gender pay gap report for 2019. Our gender pay gap for all permanent UK-based GSK employees is 2.43% (mean), outperforming the national average of 16.2%. We remain committed to improving gender balanced representation and the application of fair and equitable pay practices to ensure equal opportunities and equal pay for equal work.

Women in management (%)

	2019	2018	2017	2016
SVP/VP	**36**	33	31	30
Director	**44**	43	43	42
Manager	**49**	48	47	46
All employees	**47**	45	44	43

Employees by gender (number)

	Male	Female	**Total**
Board	6	5	**11**
Management*	9,861	8,619	**18,480**
All employees	54,690	44,747	**99,437**

* Management: senior managers as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 which includes persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than the Board, including directors, or undertakings included in the consolidated accounts.

Health, wellbeing and development

We aim to be a leading company in supporting employee health, wellbeing and development.

Health and wellbeing

Our global, comprehensive preventive healthcare package for our employees – and their eligible dependants – includes up to 40 preventative healthcare services at little or no extra cost to participants. We provide programmes to help our people take control of their health, manage their energy levels and adopt healthier behaviours.

In 2019, more than 15,000 employees took part in our energy and resilience programmes. We also expanded our personalised digital health platform from the original 5,000 employees in Belgium, to over 10,000 employees in Singapore, Mexico, Spain, France, Switzerland, Australia and New Zealand.

We understand how important it is that employees have flexibility to manage their lives, so everyone can thrive and do great things at work and home. Our largest markets have formal flexible working and carer policies and all our markets are reviewing their competitiveness in this area. Our aim is to differentiate ourselves. For example, in 2019 the US implemented care of family member paid leave, which is above industry standards in the US.

For the fourth year in a row, GSK increased participation levels in the Virgin Pulse Global Challenge with over 17,000 participants across 67 countries. We were once again named the Most Active Organisation, with our people collectively taking more than 20 billion steps.

We consider mental wellbeing to be just as important as physical wellbeing and raised awareness of this issue on World Mental Health Day, encouraging people to seek support through our 24-hour, confidential Employee Assistance Programme and other resources. We have also launched 'Mental Health Matters' training for line managers. This is helping them to increase their awareness, skills and knowledge, so they can better support their teams.

Preventing injuries and illnesses at work is also fundamental to our people's health and wellbeing. Approximately 20,000 employees drive on company sales business and in 2019, unfortunately one of our commercial salesforce died in a motor vehicle accident in Kenya. To try to prevent these sorts of tragic accidents from happening, we run a driver safety programme to help employees protect themselves and their families, combining online learning with practical road safety activities. In 2019, roughly 19,000 drivers across 65 countries were trained on driver safety. Our reportable injury and illness rate continued to decline from 0.23 per 100,000 hours worked in 2018, to 0.22 in 2019. This remains comparable with other leading companies in our sector.

Employee development

We want our people to keep growing at every stage of their working lives.

We expect all of our employees to have a development plan agreed with their manager. To support our employees to take ownership of their development, all employees have access to a new development portal with resources that are most relevant to their roles, development needs and interests.

In addition, GSK continues to meet its commitment as a member of the 5% Club, a group of UK companies committed to hiring young people in development programmes into at least 5% of UK roles. We currently have 799 people on our graduate and MBA programmes globally and 398 in apprenticeships in UK, US, Canada, Ireland, Singapore and Belgium.

We have a strong focus on improving the effectiveness of our people managers. One80 is part of our performance system and is critical to holding managers accountable for how they manage the performance and development of their team. Employees provide feedback on their manager through 14 questions which measure leadership effectiveness in three key areas: knowing their people, delivering results and maximising potential. In 2019, 9,000 managers participated in One80 and more than 60,000 employees provided feedback to their manager.

We also introduced a new leadership development programme for first-line leaders. This training consists of five virtual modules, with a strong emphasis on conversations that matter, developing for performance, and leading high performing teams. The programme was piloted in 2019 with 845 leader participants. The programme will be rolled out across GSK in 2020 in support of continued leadership development.

GSK.com: Employee engagement ▪ Learning and development

Reliable supply

Ensuring a high-quality, safe and reliable supply of our products for patients and consumers is a priority for all three of our businesses, (see pages 22, 26 and 29). Product shortages can happen for a variety of reasons, including supply disruptions and unexpected demand.

Our robust quality management systems support continuous improvement, helping us to maintain high standards for product quality and safety and comply with relevant regulations, including those on Good Manufacturing Practice, Good Laboratory Practice, Good Pharmacovigilance Practice and Good Clinical Practice. Of the 196 external regulatory inspections at our Pharmaceutical, Vaccines and Consumer Healthcare manufacturing sites and local operating companies in 2019, most found no issues or resulted in only minor observations. We address every issue, however minor, and regulatory authorities have accepted our proposed plans for corrective actions.

In late summer 2019, GSK was contacted by regulatory authorities regarding the detection of NDMA, a potential human carcinogen, in Zantac (ranitidine) products. Based on information received and correspondence with regulatory authorities, GSK made the decision in mid-September to initiate a voluntary recall (pharmacy/retail level recall) of Zantac products in all markets as a precautionary action. Since then, a number of recalls have been initiated by API suppliers, as well as other pharmaceutical companies who hold market authority in various countries, including the US. GSK discontinued making and selling prescription Zantac tablets in 2017 and discontinued making and selling over-the-counter Zantac in 1998 in the US. Several regulatory authorities have reviewed the findings and/or are conducting their own tests including the FDA. We are continuing to work with them.

In 2019, we conducted 1,542 audits of our suppliers' quality processes and 225 audits of clinical studies run by, or on behalf of GSK, to assess their quality and safety. Where we identify areas that require improvement, we engage with the relevant third parties to develop improvement plans and track their progress. If significant issues are identified and remain unresolved, we may choose to suspend or terminate work with a third party.

Detecting, assessing, understanding and preventing adverse effects or any other drug-related problem (pharmacovigilance) is important in evaluating the safety of pharmaceutical products. We work with the WHO and other partners to enhance systems for reporting these. Through external collaborations such as TransCelerate, the European Federation of Pharmaceutical Industries and Associations and the Innovative Medicines Initiative, we are working with others to promote harmonised approaches and procedures for the clinical development and safety evaluation of drugs, and to implement key regulations.

Counterfeit products present a risk to patient safety. We support efforts to prevent the manufacture and distribution of counterfeit GSK products by working closely with government bodies, international organisations (such as the World Customs Organization and the WHO), customs authorities and industry associations. We also conduct our own investigations and work with enforcement agencies to tackle counterfeit GSK products.

GSK is implementing serialisation to drive traceability across the supply chain. Through increased supply chain visibility and increased communications with government systems, we are helping both to raise the visibility of our products to prevent theft, counterfeiting and stock diversion, and also to allow our systems to authenticate product at the point of dispense.

GSK.com: Patient safety and reliable supply

Ethics and values

We are committed to creating an ethical, values-driven culture, in which any issues are responded to swiftly and transparently. We expect everyone at GSK to live our values and expectations, speak up if they have any concerns, engage appropriately with stakeholders and respect human rights. We also extend these ethical expectations to the third parties with whom we work.

Living our values and expectations

Together, our values (patient focus, integrity, respect and transparency) and expectations (courage, accountability, development and teamwork) help us to create the culture we want. In our 2019 employee survey, 86% of employees agreed that their work environment encouraged ethical behaviour even in the face of pressures to meet business objectives.

Every GSK employee and complementary worker is required to complete the Living Our Values and Expectations mandatory training annually. In 2019, 98.5% of our employees and 92.4% of our complementary workers completed the training, covering content including our Code of Conduct, human safety information reporting and reporting misconduct.

Employees who fail to complete the course may face disciplinary action, as defined and permitted by local labour laws.

Throughout 2019, we assessed 17 different parts of the business against a values maturity matrix to understand how well our values and expectations are embedded. Additionally, individual areas of the business have been using the insights from those assessments to inform plans that further integrate our values into ways of working at GSK.

Examples include increasing opportunities for engagement with leadership teams to improve trust, and strengthening our people managers' capability to lead employees through times of change while delivering at pace.

Our mandatory anti-bribery and corruption (ABAC) training is more tailored, consisting of two modules – one for high-risk employees and one for everyone else. Both modules focus on principles to help employees deepen their understanding of where ABAC risks may lie, recognising conflicts of interest, and how to report and mitigate any risks or conflicts. As of December 2019, 97% of employees and 90% of contract workers completed ABAC training.

GSK.com: Ethics and values

Reporting and investigating concerns

We encourage people to speak up if they have any concerns relating to unethical conduct or behaviour that is inconsistent with our values – or if they simply want to ask a question about how to apply our Code of Conduct.

Anyone inside or outside GSK can raise concerns or speak to an independent third party through our integrity lines, confidentially or anonymously, without fear of retaliation. We take every reported concern very seriously and review each one to understand whether a formal investigation is warranted. If our investigations show that an employee has breached our policies, we take appropriate disciplinary action.

In 2019, 2,423 employees were accused of misconduct (2,842 in 2018). We reviewed all of these cases, and initiated 1,891 formal investigations (1,805 in 2018) with most relating to behaviour in the workplace. As a result, 798 employees were disciplined for policy violations (940 in 2018), of whom 202 were dismissed or voluntarily left the organisation (115 in 2018) and 596 received a documented warning (656 in 2018). In other instances, action short of a documented warning was taken.

Employees disciplined in 2019: breakdown of types of policy violation (%)

Policy area	2019	2018
Behaviour in the workplace	**35%**	17%
Mandatory training completion	**18%**	29%
Good manufacturing and distribution practices	**17%**	10%
Marketing and promotional activities	**8%**	8%
Expenses	**5%**	3%
Other*	**17%**	33%

* Representative of remaining policy violation types.

Increased focus on completing mandatory training and improved classification of concerns altered the distribution of policy violations when compared to 2018.

Political engagement

Everyone working for, or on behalf of, GSK must follow our Code of Conduct in their interactions with political stakeholders. Additionally, our selection process for public policy groups includes criteria to ensure those groups share our values.

We spent $4.4 million on federal lobbying activities in the US in 2019, which are registered on the US Federal Lobbying Register. The spend includes the cost of operating our office in Washington DC, and the cost of travel and consulting. The cost of representing our interests to EU institutions, published on the EU Transparency Register, was €1.64 million.[1] We also publish a list of our memberships in trade associations that may lobby indirectly on our behalf.

GSK does not make corporate political contributions. Our US employees may support individual candidates or political groups financially through a Political Action Committee, which contributed $265,185 to state and federal candidates in 2019. A breakdown of this spend is available online.

GSK.com: Public policy and patient advocacy • Trade association membership list • Criteria for working with Public Policy Groups

Human rights

GSK is committed to upholding the Universal Declaration of Human Rights and the core standards set out by the International Labour Organization. We strive to ensure that respect for human rights is embedded and integrated across our global business and conduct regular assessments, informed by external experts, of the human rights impacts associated with our activities.

Building on the findings of our 2018 corporate-level human rights assessment, over the past year we have focused on strengthening our approach to managing labour rights risks in the supply chain. We carried out an initial review of labour rights risks associated with our sourcing activities and, with the support of fair labour NGO Verité, are now building on this work to identify parts of our supply chain that represent the greatest potential for modern slavery risks. We also updated our third-party labour rights standards to include the expectation that recruitment costs should be borne by the employer and that no worker should pay for a job (a practice that can lead to forced labour).

Progress in each of our other priority human rights areas (access to healthcare, research practices, patient safety, environment, health and safety, and privacy) is outlined in the relevant sections of this report.

GSK.com: Human rights • Modern Slavery Act statement

1 These are the latest available figures, 2019 figures are expected to be available in April 2020 for submission to the EU's Transparency Register.

Trust continued

Working with third parties

Our Third-Party Oversight programme strengthens our supply chain risk management by driving improvements in our global network of third parties. This includes suppliers, distributors and other organisations with which there is a transfer of value. We want to ensure that the third parties we work with share our values and ethical and business standards. Our third-party risk assessment and mitigation programme has been embedded globally and continues to be further simplified and refined to make it easier to engage third parties appropriately.

During 2019, over 14,000 risk assessments were completed, and more than 800 third parties identified as high risk have undergone detailed independent assessments by EcoVadis.

During 2019, we continued to work with our third-party suppliers to reduce Environment, Health and Safety (EHS) risks and conducted over 40 audits on EHS and ethics. We also expanded our third-party EHS team to include dedicated EHS professionals within the team based in the countries where our priority suppliers are located.

Priority suppliers are those with whom we have significant spend, that support significant revenue and/or are medically or R&D critical to the business. This has enabled us to provide more proactive support through engagement visits designed to build capability in areas of improvement identified through EcoVadis assessments or audits.

Our Buying Goods & Services transformation programme is also delivering improved guidance, integration and compliance for internal GSK users and our third parties. The programme includes a new sourcing platform, launched in 2019, making it easier for our suppliers to engage with us.

GSK.com: Ethics and values

Data and engagement

Data is becoming increasingly central to our business and the healthcare industry more broadly. Our digital, data and analytics strategy harnesses the power of data and technology to strengthen our business and make a real difference to patients around the world. We believe this will help our scientists develop innovative medicines more quickly, and with higher probability of success than ever before. It will enhance clinical studies and improve interaction with healthcare providers, customers and consumers.

Using data responsibly and transparently

With the privilege of using individuals' personal information comes the responsibility of treating this data ethically. We are committed to using data responsibly and transparently, and engaging with patients and healthcare providers to help meet patient needs. This includes managing data carefully, sharing the results of our clinical studies, integrating patient insights into our product development, and providing healthcare professionals with relevant and accurate information when they need it.

Data privacy

We recognise that people are increasingly concerned about the protection and appropriate use of personal information, particularly when this is related to health. New regulations around the world have also increased requirements on how companies use personal information. Loss or inappropriate use of personal information could have a serious impact, both for individuals affected and for businesses, and we take our responsibility for data privacy seriously.

We have developed a comprehensive approach to privacy, including training that drives an understanding that everyone at GSK is personally responsible for the correct handling of personal information. We apply a set of privacy principles to ensure that our use of personal information is kept to the minimum necessary and is fair, transparent, accurate and secure.

In 2019, we combined our privacy training with the mandatory Code of Conduct training. Approximately 32,000 individuals completed our Privacy Foundation training, which includes new hires, contingent workers, and those returning from leave of absence. This explains our privacy principles to help them understand how to apply them in their daily work. It also raises awareness of why privacy matters for all those who handle personal data.

Personnel who handle personal information in R&D and HR globally have received tailored privacy training to understand their obligations under the Binding Corporate Rules, which enable the internal transfer of EU HR and R&D data across all GSK affiliates. Throughout 2019, people in key roles across the organisation continued to undergo certification from the International Association of Privacy Professionals (IAPP) to increase expertise and enable us to make informed decisions about handling personal data. The number of people with this certification at GSK has increased from 47 in 2018 to 66 in 2019.

The protection of individuals' data and privacy is a high priority in our exclusive collaboration with 23andMe. This collaboration combines 23andMe's genetic expertise and advanced data science skills with GSK's extensive scientific capabilities and scale, to enhance the discovery and development of entirely new medicines and potential cures. 23andMe customers can choose to participate in research and contribute their information to the unique and dynamic database for the purpose of advancing scientific research. Participation is voluntary and customers are required to consent affirmatively to their data being used for research. Should they choose to participate, their information is aggregated so no individual will be identifiable to GSK.

Clinical trial transparency

As part of our long-standing commitment to data transparency for our clinical studies, we have published 2,605 clinical study reports (108 in 2019) and 6,106 summaries of results (123 in 2019) – both positive and negative – from our studies on our clinical study register.[1]

We also share anonymised patient-level data from our studies with external researchers. We have listed 2,477 studies for data sharing via www.vivli.org and www.clinicalstudydatarequest.com. We launched this six years ago to facilitate innovative data-driven research, and it is now used by multiple other study sponsors and funders. External researchers are granted data access based on a review of the scientific merit of their research proposal by an independent panel. Access to GSK study data has been approved for 157 proposals since 2013.

GSK.com and online: GSK Privacy Notice • GSK Clinical Study Register

Patient and scientific engagement

To improve the delivery of ground-breaking new therapies, we are strengthening our focus on patients' needs by seeking their insights across the business. We continue to support several initiatives that are empowering patients to get more involved in the development of medicines through training, tools and dialogue – such as the European Patients' Academy on Therapeutic Innovation (EUPATI).

In 2019, we held Patient Advocacy Leaders Summits in Portugal, Japan and Switzerland. Representatives of patient organisations also provide insights through our European Health Advisory Board and our Respiratory Health Board. We now have new patient panels covering hepatitis, chronic kidney disease and rheumatoid arthritis, as well as an Oncology Patient Council.

To improve engagement with patients involved in our clinical studies, we have developed patient engagement plans for key assets and set up a dedicated patient panel as a key part of our internal governance process. This allows patients to input into the development of our research protocols, to improve patient experience during the study, and we keep them informed about the results after the study is completed.

We ensure the inclusion of diverse populations in our clinical studies so the data we generate represents as many people as possible. By including individuals of different demographics by age (elderly/frail and paediatric groups), sex, ethnicity and race, we can capture potential variability in the responses to our medicines and vaccines. This helps us to characterise a more robust benefit-risk profile, generate greater insight for the prescribing information and ensure the right patient gets the right medicine – this is particularly important as we move towards precision medicine.

In 2019, we made changes to our in-house trials to improve the diversity of participants, including ensuring teams develop plans on target populations (based on sex, age, race or ethnicity) that need to be targeted for recruitment at each stage of the lifecycle of the molecule. We also asked our third-party preferred vendors to provide a plan for how they will deliver improved recruitment and retention of diverse populations for our full-service outsourced trials.

Through our engagement with healthcare professionals (HCPs), we aim to provide information on our products in the way that best suits them. For a limited time after we have new medicines or significant new data, we allow payment to experts to speak about the scientific evidence, the diseases they treat and their own clinical experience. We disclose annually the individual level of payments to HCPs when legally permitted, or otherwise on an aggregate basis.

In 2019, we also updated our salesforce incentives policy as our portfolio has evolved, with a growing shift towards innovative specialty care medicines. This is an area requiring high levels of expertise to deliver information to specialised HCPs, and one where there is strong competition for talent. See page 22 for further details of this policy change.

GSK.com: Operating responsibly

1 New methodology introduced for 2019.

Trust continued

Environment

We are committed to reducing our environmental impact by one quarter by 2030, cutting greenhouse gas emissions, reducing water impact and redirecting waste to beneficial use. This commitment is underpinned by five environmental commitments for 2030 (set against a 2016 baseline) to:

- reduce operational carbon emissions (Scope 1 and 2) by 20%;
- reduce value chain carbon emissions (Scope 3) by 25% per £ billion revenue;
- source 60% of electricity from renewable sources, with an interim target of 30% by 2020;
- reduce total water use at each high-risk site by 30%;
- ensure all waste is repurposed to beneficial uses.

Carbon

We are committed to playing our part to address climate change. Our overall value chain carbon footprint is made up of Scope 1 and 2 emissions from our own operations (8%) and Scope 3 emissions from our supplier base (48%), logistics (4%) and the use of our products (40%) – mostly metered dose inhalers.

We are accredited by the Science Based Targets initiative for a set of Scope 1, 2 and 3 targets, in line with a level of decarbonisation required to keep the global temperature increase to 2°C. We made good progress against these commitments in 2019.

In 2019, we lowered our Scope 1 and 2 emissions[1] by 4% through continued deployment of energy efficiency programmes across our operating sites. Globally, around 5% of our electricity came from renewable sources. We plan to expand this and by 2020, through a combination of green certificates and on-site renewable generation, over 30% of our global electricity needs will be decarbonised across the UK, US and Europe.

In 2018 (our latest available data)[2], absolute Scope 3 emissions decreased by 10% vs 2017 and by 4% per £1 billion revenue, mainly from reduced emissions associated with raw materials. This represents a reduction of 17% per £1 billion revenue since our 2016 baseline year. We recognise achievements by our suppliers to reduce their environmental impacts through our annual Supplier Environmental Sustainability Awards. In 2019, the winners were a supplier that encourages excellence in agricultural practices in India, and a UK energy provider that creates clean energy and is inspiring the next generation of scientists and engineers to be innovative in tackling climate change.

Carbon emissions[3] plus intensity ratios (as per regulations)

'000 tonnes CO_2 e	2019	2018	2017
Scope 1 emissions	**800**	825	892
Scope 2 emissions	**523**	549	607
Scope 3 emissions	**Available in 2020 report**	16,335	18,152
Intensity ratios	**2019**	2018	2017
Scope 1 .and 2 emissions/ sales revenue (tonnes CO_2e/£m)	**39.2**	44.6	49.6
Scope 1 and 2 emissions/ FTE (tonnes CO_2e/FTE)[4]	**13.3**	14.4	15.2
Scope 3 emissions/£bn revenue (million tonnes CO_2e/£bn revenue)	**Available in 2020 report**	0.53	0.6

Emissions from the use of our inhaler products fell by 6% in 2019 mainly from a reduction in the amount of *Ventolin* produced. Our new portfolio of inhaled medicines is delivered via the *Ellipta* dry powder inhaler (DPI), which has a lifecycle carbon footprint around 24 times lower than a propellant-based inhaler.[5]

We support efforts to promote low carbon inhalers where possible. In the UK, for example, the NHS has adopted a commitment to increase DPI prescribing in its Long-Term Plan, and in 2019 GSK ran a public information campaign on the different footprint of inhalers (www.lowcarboninhalers.co.uk), encouraging patients to discuss inhaler options with their healthcare professional. GSK is also supporting similar low carbon inhaler initiatives in Belgium and Sweden.

We benchmark our performance externally, and in 2019 we scored B in CDP Climate.

Climate resilience

In 2019, we carried out scenario analyses for five products and their supply chains against the Task Force on Climate-related Financial Disclosures (TCFD) framework guidelines. We used a business as usual scenario and a low carbon scenario to identify potential areas of risk and opportunity that climate change presents to our business (see page 46).

1 All reductions are against our existing portfolio, excluding the Pfizer sites that joined in August.

2 2019 figures are expected to be available in 2020.

3 Carbon emissions are calculated according to the *Greenhouse Gas Protocol*: *A Corporate Accounting and Reporting Standard* (revised edition).

4 2017 and 2018 figures for scope 2 emissions from electricity restated based on the updated IEA emission factors published in 2018.

5 For one year's treatment, use of propellant-based inhalers results in a carbon footprint of 228kg CO_2e compared with 9.6kg CO_2e from using *Ellipta* dry powder inhalers.

Water

Our goal is to reduce our total water use at each high-risk site by 30% by 2030. While climate change must be tackled at a global level, water challenges are much more localised. All our vaccine, pharmaceutical and consumer healthcare manufacturing sites have completed risk assessments and are implementing actions to ensure compliance with our water stewardship standard by 2020. These assessments identified 10 high-risk sites that used 0.7 million cubic metres of water in 2019 (6% of our total water use). This risk rating is based on water scarcity, local water quality, health and social risks, and regulatory and reputational risks.

These sites are working on strategies to reduce their water impact, and are making good progress. For example, our site in Cape Town, South Africa (an area affected by drought) initiated water recovery and rainwater harvesting projects. Their water saving measures across the year saved 1,740m^3 water – 9% of the site's annual water use. One of our sites in Karachi, Pakistan has also successfully implemented projects to reduce water used in cooling towers and to shorten cleaning cycles where excess water was being used. These activities decreased the amount of water used for cleaning by 60%, and helped reduce the site's water footprint by 4%.

Waste

By the end of 2020, we aim for 100% of our sites to send zero waste to landfill. This avoids harmful environmental impacts from landfill and keeps materials, such as solvents, in circulation for use in new products. In 2019, less than 3% of our waste was sent to landfill (excluding the newly-joined Pfizer consumer healthcare sites), with 73 sites achieving and maintaining zero waste to landfill. We have cut the amount of waste we produce by 14% since 2016, generating a total of 117,000 tonnes in 2019. This includes 23,000 tonnes of hazardous waste and 3,100 tonnes sent to landfill.

Our longer-term goal is that, by 2030, 100% of our waste will be directed to beneficial use, either to recycling, or incinerating waste with energy recovery. In 2019, 79% of our waste was recycled or incinerated with energy recovery.

Paper and palm oil

We are committed to moving towards deforestation-free sourcing for all key commodities purchased directly by GSK or indirectly on our behalf by 2030. This is a challenge due to the complex nature of our supply chains, but we have reached 94% for paper packaging and 70% for palm oil from sustainable sources by volume. We are working with the Roundtable for Sustainable Palm Oil to purchase book & claim credits, and with the Rainforest Alliance to audit and assure our supply chain. To date, we have focused on paper packaging, palm oil and palm oil derivatives, and have developed supplier selection criteria, as well as sourcing standards in conjunction with the Rainforest Alliance.

Plastic

The packaging of our products plays an important role in delivering safe, stable and trusted medicines, vaccines and consumer healthcare products. However, we recognise the impact that plastic packaging has on the environment.

We are working on a plan to reduce our plastic packaging, making it recyclable, and exploring how we increase use of recycled plastic content, recognising that medical regulations around the world place significant constraints on the use of recycled materials. Our Vaccines business is removing PVC from all packaging by the end of 2020 and we have developed a new pump for *Flonase/Sensimist* which reduces the amount of plastic used in the device by 12%.

While we have completed a review of our plastic use across the business – which found that 70% of our plastic footprint is associated with our Consumer Healthcare products – this took place before the integration of the Pfizer consumer healthcare business. We are now updating this to include the impact of the joint venture. We are also implementing initiatives to reduce, and remove where possible, single use plastics across all GSK offices worldwide and have already eliminated 2.1 million items of plastic from our food and refreshment outlets.

Pharmaceuticals in the environment

We are committed to ensuring that our compounds do not adversely affect people or the environment. We carry out environmental testing on all our pharmaceuticals, and use this data in risk assessments to evaluate potential for harm. We take steps to minimise the risk of any active pharmaceutical ingredients, including antibiotics, entering the environment as a result of our manufacturing processes.

GSK is part of the AMR Industry Alliance launched in 2017 and is a signatory to the Industry Roadmap for Progress on Combating AMR. For more on our efforts to combat AMR, see page 32. We have publicly committed to minimise antibiotic discharge in our supply chain and to ensure that manufacturing-related discharges are negligible by the end of 2021. In 2019, through the Pharmaceutical Supply Chain Initiative, we shared guidance and best practice on managing antibiotic discharges from manufacturing with our suppliers.

GSK.com: Environment

Risk management

Our risk management framework is well embedded and continually reviewed. Board-level oversight is provided by our Audit and Risk Committee, assisted by our Risk Oversight and Compliance Council.

The framework enables the Board to identify, evaluate and manage principal risks and is designed to support our long-term priorities. The framework provides for an effective hierarchy of Risk Management and Compliance Boards within each of our businesses which promotes the 'tone from the top', establishes the risk culture and oversees the effective cascade and escalation of information regarding our internal controls. Along with our values, expectations and Speak Up processes, it ensures that the risks associated with our business activities are actively and effectively identified and mitigated and provides reasonable assurance against material misstatement or loss. We conduct an annual confirmation exercise to ensure that our risk management approach is consistent across GSK, which reinforces leader accountability.

During 2019, the Audit and Risk Committee considered GSK's risks and the strategies to address them. In doing so it drew on annual business unit risk and assurance update reports, strategy papers for our most significant risks, and an annual risk review.

Each principal risk is overseen by a CET-level risk owner to ensure proportionate controls are in place, with clear plans assigned to address any gaps.

GSK considers both current and emerging risks as part of its risk management framework. GSK defines emerging risks as those which are on the three-year horizon. We may not yet have adequate information about their impact or likelihood and therefore these may warrant further investigation before inclusion in our list of principal risks.

Emerging risk assessments are performed as part of the remit of our Risk Management and Compliance Boards at all levels of the organisation. Additionally, at the global level we perform an annual PESTLE analysis of the political, economic, social, technological, legal and environmental trends from the external environment to identify emerging risks.

Viability statement, see page 47
ARC Report, see page 96
Principal risks and uncertainties, see page 275
Internal Control Framework, see page 105

Each year, the CET conducts a formal risk review to consider emerging risks and whether sufficient information is available to support their inclusion in our principal risks list. This review is supported by extensive analysis of external trends and insights, senior level interviews and recommendations from GSK's key risk intelligence groups and risk management boards.

In 2019 the CET agreed to escalate two new risks to standalone principal risks for 2020 – Environmental sustainability and Non-promotional engagement. Work is also underway to establish appropriate reporting for a Transformation risk in recognition of the significant transformation associated with our intention to separate GSK's Consumer Healthcare business.

We list our principal risks on pages 44 and 45, with our assessment of the external macro environment and the risk exposure following mitigation. The risks are not in order of significance.

Risks associated with the proposed separation of GSK's Consumer Healthcare business
A separation of our Consumer Healthcare business may be dependent on a number of factors that are outside GSK's control, including any required shareholder and regulatory approvals, favourable conditions in public equity markets and public or private debt markets and changes in applicable law and regulation. Therefore, there can be no certainty that a separation will be completed as proposed (or at all).

In addition, if a separation is completed, there can be no assurance that either GSK or Consumer Healthcare will realise the expected benefits of separation or that the separation will not adversely affect GSK or Consumer Healthcare or the value or liquidity of their respective shares.

Risks associated with the coronavirus outbreak
The potential impact of the coronavirus outbreak on GSK's trading performance and supply continuity remains uncertain.

Up to the date of this Report, the outbreak has not had a material impact on the trading results of the Group. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees.

The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Group.

Risk		Assessment and mitigation activities
Patient safety		The macro risk level remains high. Developments in data interrogation present potential benefits for Patient safety but the volume of data to be analysed presents a significant challenge which intensifies when coupled with fragmented regulatory requirements. There are increasing expectations that technology will deliver safer innovative medicines with less risks.
		GSK's exposure remains unchanged. We have deployed a new operating model for safety activities involving a simpler central safety organisation and outsourcing of local pharmacovigilance activities. Both deployments have passed successful audits indicating we should expect a lower risk in steady state during H2 2020.
Product quality		The macro risk level remains unchanged despite continued concerns over drug shortages and security and the uncertainty and complexity associated with Brexit.
		GSK's exposure remains unchanged. The benefits of our ongoing investment and improvement initiatives in manufacturing facilities, operating systems and training are reflected in our quality performance metrics and inspection outcomes.
Financial controls and reporting		The macro risk level has increased. There is significant political uncertainty and increasing societal expectations of financial reporting and the role of auditors, as well as highly sophisticated fraudsters enabled by the speed of technological change.
		GSK's exposure has been maintained at current levels despite the increase in external risk exposure as a result of the benefits of our previous transformation programmes, the strengthening of controls by leveraging technology and centralising processes, enhancing monitoring and maintaining effective tax and treasury strategies.
Anti-bribery and corruption (ABAC)		The macro risk level remains unchanged as we continue to see legal frameworks similar to the UK and US develop in emerging economies; high standards are expected of individuals and corporations aided by improved technology and increased enforcement.
		The GSK exposure remains unchanged. We have appropriate controls in place such as training, awareness raising, and strong monitoring around transactions and payments to third parties. We plan to continue with pre and post-transaction ABAC due diligence, increasing the capabilities in the business on monitoring, oversight and red flag resolution of third parties. We continue to understand and assess our money-laundering risk exposure and mitigate any existing risk.
Commercial practices		The macro risk level is increasing with increased pricing pressure, greater retailer and online competition from a broader set of competitors, an evolving digital landscape and increased scrutiny of marketing practices in the industry.
		GSK's exposure has marginally increased as we integrate Tesaro and our Consumer Healthcare Joint Venture with Pfizer. We continue to invest in proportionate controls, training and monitoring as we embed our new HCP engagement model and salesforce incentives programme (see page ▪).

Risk management continued

Risk		Assessment and mitigation activities
Privacy		The macro risk level has increased due to the diversity of data privacy legislation and limited harmonisation occurring, despite Europe's adoption of GDPR. Multi-nationals have challenges to standardise their data privacy approach with the high local variation and rise of enforcement by regulators.
		GSK's exposure remains constant following the successful deployment of our Privacy Operating Model in the EU and prioritised deployment in the rest of the world progressing well.
Research practices		The macro risk level has increased as regulators are adapting to new technological advancements as well as introducing changes regarding data privacy, animal welfare and human biological samples which have yet to be fully announced and the requirements for implementation understood.
		GSK's exposure remains unchanged. Increasing regulatory expectations are being offset by risk mitigation actions to embed and monitor additional controls and further enhance and monitor the quality culture, with a particular focus on data integrity and access and benefit sharing (Nagoya Protocol).
Third party oversight		The macro risk level has increased due to growing numbers of countries with varying regulation and manufacturing standards requiring local production, which increases the number of third parties we have to assess and continuously oversee.
		The GSK exposure remains unchanged. Our third-party risk assessment and mitigation programme has been embedded and continues to be further simplified and refined to make it easier to engage third parties appropriately.
Environment, health and safety and sustainability		The macro risk level has increased due to greater emphasis on environmental controls from regulators, activists and stakeholders across our direct operations and supply chain. An emerging area of focus is post-consumption waste associated with medicines. There are ever-more stringent regulations and standards in developed as well as developing countries.
		The GSK risk exposure remains unchanged as we continue to focus on more appropriate control over our supply chain, particularly of our active pharmaceutical ingredient (API) suppliers.
Information security		The macro risk level continues to increase as a result of an increasing digital footprint, reflecting a large multi-national organisation, combined with more sophisticated hacking threats.
		The GSK risk exposure remains unchanged with the development of controls to increase cyber operations and threat intelligence capabilities; mitigation to protect critical information systems and applications, and enhancements to security of operational technology systems and networks offsetting some risk.
Supply continuity		The macro risk level remains unchanged with the ongoing evolution of stringent regulatory expectations including continued regulatory focus on contract manufacturers. Brexit continues to provide uncertainty.
		The GSK risk exposure level remains unchanged. We have improved risk management of our supplier portfolio, reduced the complexity of our networks and improved our crisis and continuity management framework. However, reduced inventories, threats posed by cyberattacks and global emergencies such as the coronavirus outbreak, and the quality of incoming materials present ongoing supply risks.

Climate-related financial disclosure

Here we provide GSK's first voluntary disclosure against the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD), an initiative of the Financial Stability Board, which promotes the disclosure of climate change risk.

Governance

The Board has oversight and responsibility for the management of climate change risks with support from the CET. The Board's Corporate Responsibility Committee (CRC) oversees GSK's Environmental Sustainability enterprise risk and progress against our environmental targets (see CRC Report on page 109).

Regis Simard, President, Pharmaceuticals Supply Chain, has management responsibility for environment, health & safety and sustainability (including climate change risk). He is on the CET and reports directly to the CEO.

Strategy

Trust is one of our three long-term priorities and reducing our environmental impact is an important part of the Trust priority (see metrics and targets).

To gain a better understanding of how climate change might impact our business, in 2019, we completed scenario analyses for five key products from across our Vaccines, Pharmaceuticals and Consumer Healthcare businesses. The two scenarios were:

- **business-as-usual:** we assumed little to no mitigation leading to 3-5°C of warming by 2100;
- **low-carbon:** we assumed that the global temperature increase by 2100 is limited to well below 2°C by rapid changes in legislation and technology.

The study was conducted by an independent third party and used internationally recognised data sets such as those from the Intergovernmental Panel on Climate Change. The potential physical risks of a changing climate such as flooding, as well as the risks associated with a transition to a low-carbon economy such as international climate policy and carbon pricing were analysed. The analysis looked at the implications for GSK manufacturing facilities, suppliers and raw materials providers for each of the five products. The assessment did not consider any actions that GSK might take to mitigate or adapt to the findings.

The analysis showed that in both scenarios there is likely to be some financial risks which would need to be managed, but none that would materially impact our business model. The key impacts for both scenarios were:

- Flood-related disruptions at our own manufacturing sites and in our supply chain;
- Water stress leading to increased expenditure and disruption at both our own manufacturing sites and in our supply chain;
- Higher temperatures affecting the quality and availability of some raw materials;
- Increased costs of fossil fuels.

These findings represent an initial assessment and we plan to use them to understand the impacts further and to develop action plans to help mitigate these risks, embed sustainability into strategy and review opportunities.

Risk management

In 2019, Environmental Sustainability, which includes climate change risks, became a standalone Principal Risk to the business for 2020 (previously managed as a sub-risk of Environment, Health& Safety and Sustainability). (see page 43).

Risks related to climate change are managed at different levels of the organisation, depending on the nature of the risk.

Risks and opportunities associated with GSK's energy, water and waste reduction programmes are managed by the Climate Change and Energy Reduction Team, with representatives from each of GSK's three business units and relevant support functions meeting quarterly.

Operational risks and opportunities at asset or site level are identified, assessed and managed by GSK's business units through their risk management teams.

Metrics and targets

Our goal is to reduce our environmental impact by one quarter by 2030. This goal is underpinned by five environmental targets for carbon (scopes 1,2 and 3) renewable electricity sources, water and waste (see pages 41 and 42)

We have been accredited by the Science Based Targets Initiative for a set of Scope 1, 2 and 3 targets in line with the decarbonisation required to keep global temperature increases to 2°C.

We are also committed to moving towards deforestation-free sourcing for all key commodities and are working with partners such as the Roundtable for Sustainable Palm Oil and the Rainforest Alliance.

More detail on the progress we are making towards achieving our targets can be found on page 42, and in our public response to the CDP questionnaire.

Viability statement

In accordance with provision 31 of the 2018 revision of the Code, GSK has assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Directors confirm that they have a reasonable expectation that GSK will continue to operate and meet its liabilities, as they fall due, over the next three years. The Directors' assessment has been made with reference to GSK's current position and prospects, our strategy, the Board's risk appetite and GSK's principal risks and how these are managed, as detailed on pages 44 and 45 in the Strategic report.

The Board reviews our internal controls and risk management policies and approves our governance structure and code of conduct. It also appraises and approves major financing, investment and licensing decisions, and evaluates and monitors the performance and prospects of GSK as a whole. The focus is largely on improving our long-term financial performance through delivery of our company and three business strategies and aligned Innovation, Performance and Trust priorities.

The Board reviews GSK's strategy and makes significant capital investment decisions over a long-term time horizon, based on a multi-year assessment of return on capital, the performance of the company and three business units, and the market opportunity in the pharmaceutical, vaccines and consumer sectors. This approach is aligned to GSK's model of achieving balanced growth by investing in high quality, innovative products for patients, consumers and healthcare providers. However, since many internal and external parameters become increasingly unpredictable over longer time horizons, GSK focuses its detailed, bottom-up Plan on a three-year cycle. The Plan is reviewed at least annually by the Directors, who approve business forecasts showing expected financial impact. The Directors believe that a three-year assessment period for the Viability statement is most appropriate as it aligns with the company's well established business planning processes that balance the long-term nature of investments in the pharmaceutical, vaccines and consumer sectors with an assessment of the period over which analysis of near-term business performance is realistically visible.

The Plan has been stress tested in a series of robust operational and principal risk downside scenarios as part of the Board's review on risk. These include the potential effects of Brexit, which are not expected to be material, although there may be some short-term disruption. The downside scenarios consider GSK's cash flows, sustainability of dividends, funding strategy, insurance provision and recovery as well as other key financial ratios over the period. These metrics have been subject to sensitivity analysis, which involves flexing a number of the main assumptions underlying the forecasts both individually and in combination, along with mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risk.

The following hypothetical downside scenarios have been evaluated:

Scenario 1: Business performance risks. These include key performance risks, including lower sales from new products; greater adverse impact from generic competition and other competitive launches to other GSK products; as well as possible supply and manufacturing challenges.

Scenario 2: External and macroeconomic risks. This scenario reflects incremental risks to the business driven by outside factors, such as more intense competition, increased pricing pressure in both the US and Europe as well as the potential impact of material negative changes in the macro-economic and healthcare environment.

Scenario 3: Principal risks. This scenario includes a severe assessment of the potential loss impact from the principal risks related to patient safety, product quality, supply chain continuity as well as anti-bribery and corruption and any consequent regulatory actions or fines, all of which could fundamentally threaten our operations. This would include any potential severe impact of coronavirus if this were to materialise. These risks are managed through mitigating activities described on pages 275 to 287.

Scenario 4: Put option exercise. This scenario evaluates the additional funding requirements assuming the earliest potential exercise of the outstanding put option held by our partner in the HIV business.

The future separation of the Consumer Healthcare Joint Venture with Pfizer, if approved by the Board, may potentially occur within the period covered by the viability assessment. We have considered this scenario and have concluded that there is no material impact to viability for the Group or resultant separate companies over the three-year period of this assessment.

The three-year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required and the respective level of funding flexibility and headroom.

The results of this stress testing show that certain combinations of these hypothetical scenarios could increase funding demands on GSK and require mitigating changes to the Group's funding strategy. However, in light of the liquidity available to the Group and based on this analysis, the Directors have a reasonable expectation that, even under these most severe stress tests, the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

Our preparations for Brexit

In preparing for the UK's exit from the EU (Brexit), our overriding priority has been to maintain continuity of supply of our medicines, vaccines and consumer healthcare products to people in the UK and EU. We took a risk-based approach to planning and mitigation and now have in place a new post-Brexit operating model. As part of the new model we have arranged for the retesting and certification of our medicines and consumer products in Europe where required and have completed relevant marketing authorisation transfers, updated packaging and secured additional warehousing for our products. We continue to support our employees in obtaining settled status or equivalent in both the UK and Europe. Normal change processes will be used to manage outstanding tax and customs activities, which depend on the new borders being in place between the UK and EU.

We anticipate subsequent and ongoing costs arising from Brexit could include further customs duties and will include the cost of duplicate testing and release of our products. We continue to estimate these potential costs at approximately £50 million per year. As more details emerge on how our business will need to adapt to the future UK-EU relationship, the assumptions underlying these forecasts could change, with consequent adjustments up or down. As part of the Brexit process, GSK has been engaging with Governments in both the UK and EU27, as well as Brussels institutions, to discuss our preparations, alongside our ambitions for the new UK/EU relationship. We will continue to review our plans and any potential financial impact as negotiations and regulations develop and we remain ready for all outcomes in December 2020. Over the longer term, we continue to believe that Brexit will not have a material impact on our business.

Non-financial information statement

The following aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Description of the business model

How we create value 09

Social matters

Global health 31
Health security 32
Affordability and availability 33

Employees

Employee engagement 35
Diversity 35
Wellbeing and development 36
Gender pay gap 36
Living our values and expectations 37
Board diversity 36

Human rights

Human rights 38
Data and engagement 39
Third parties 39

Anti-corruption and bribery

Living our values and expectations 37
Reporting and investigating concerns 38
Anti-bribery and corruption 38

Environmental matters

Carbon, water and waste 41

Policy, due diligence and outcomes

Summary of our principal risks 44
Principal risks and uncertainties 275
Viability statement 47
Audit & Risk Committee report 96

Non-financial key performance indicators

Key performance indicators 11

Our policies

All of our public policies, codes and standards are available on gsk.com

Group financial review

In this section

Group financial review

Reporting framework

Total and Adjusted results

The Group financial review discusses the operating and financial performance of the Group, its cash flows and financial position and our resources. The results for each year are compared primarily with the results of the preceding year.

Total results

Total reported results represent the Group's overall performance.

GSK also uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results are defined below and other non-IFRS measures are defined on page 52.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

GSK is committed to continuously improving its financial reporting, in line with evolving regulatory requirements and best practice.

Adjusted results

Adjusted results exclude the following items from Total results, together with the tax effects of all of these items:

- amortisation of intangible assets (excluding computer software)
- impairment of intangible assets (excluding computer software) and goodwill
- Major restructuring costs, which include impairments of tangible assets and computer software, (under specific Board-approved programmes that are structural, of a significant scale and where the costs of individual or related projects exceed £25 million) including integration costs following material acquisitions
- transaction-related accounting or other adjustments related to significant acquisitions
- proceeds and costs of disposals of associates, products and businesses; significant legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations; other operating income other than royalty income, and other items.

Costs for all other ordinary course smaller scale restructuring and legal charges and expenses are retained within both Total and Adjusted results.

As Adjusted results include the benefits of Major restructuring programmes but exclude significant costs (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its Total results. The exclusion of other Adjusting items may result in Adjusted earnings being materially higher or lower than Total earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, Adjusted earnings will be higher than Total earnings.

GSK is undertaking a number of Major restructuring programmes in response to significant changes in the Group's trading environment or overall strategy, or following material acquisitions. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a Major restructuring programme.

The Group has also initiated a two-year Separation Preparation programme to prepare GSK for separation into two new leading companies in biopharma and consumer healthcare.

From time to time, the Group divests non-core investments, products and businesses and records the profit or loss on disposal as an Adjusting item. The most notable divestment in the past five years was the disposal of the Oncology business as one element of the three-part transaction with Novartis in 2015.

Significant legal charges and expenses are those arising from the settlement of litigation or government investigations that are not in the normal course and are materially larger than more regularly occurring individual matters. They also include certain major legacy matters.

Reconciliations between Total and Adjusted results, providing further information on the key Adjusting items for 2018 and 2019 are set out on page 62 and for the five years to 2019 are set out on pages 266 to 268.

GSK provides earnings guidance to the investor community on the basis of Adjusted results. This is in line with peer companies and expectations of the investor community, supporting easier comparison of the Group's performance with its peers. GSK is not able to give guidance for Total results as it cannot reliably forecast certain material elements of the Total results, particularly the future fair value movements on contingent consideration and put options that can and have given rise to significant adjustments driven by external factors such as currency and other movements in capital markets.

Group financial review continued

Reporting framework continued

Historical record of Adjusting items

The reconciliations between Total and Adjusted operating profit over the last five years can be summarised as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Total operating profit	**6,961**	5,483	4,087	2,598	10,322
Intangible asset amortisation	**777**	580	591	588	563
Intangible asset impairment	**83**	116	688	20	206
Major restructuring	**1,105**	809	1,056	970	1,891
Transaction-related items	**345**	1,977	1,599	3,919	2,238
Divestments, significant legal and other items	**(299)**	(220)	(119)	(424)	(9,561)
US tax reform	**–**	–	666	–	–
Adjusted operating profit	**8,972**	8,745	8,568	7,671	5,659

The analysis of the impact of transaction-related items on operating profit for each of the last five years is as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Novartis Consumer Healthcare Joint Venture put option	**–**	658	986	1,133	83
Contingent consideration on former Shionogi-ViiV Healthcare JV (including Shionogi preferential dividends)	**31**	1,188	556	2,162	1,874
ViiV Healthcare put options and Pfizer preferential dividends	**(234)**	(58)	(126)	577	–
Contingent consideration on former Novartis Vaccines business	**76**	58	101	69	108
Release of fair value uplift on acquired Pfizer inventory	**366**	–	–	–	–
Other adjustments	**106**	131	82	(22)	173
Transaction-related items	**345**	1,977	1,599	3,919	2,238

Full reconciliations between Total and Adjusted results for 2015–2019 are set out on pages 266 to 268. Further explanations on the Adjusting items for 2019 are reported on page 62.

Non-controlling interests in ViiV Healthcare

Trading profit allocations

Because ViiV Healthcare is a subsidiary of the Group, 100% of its operating results (turnover, operating profit, profit after tax) are included within the Group income statement and then a portion of the earnings is allocated to the non-controlling interests owned by the other shareholders, in line with their respective equity shareholdings (Pfizer 11.7% and Shionogi 10%). Each of the shareholders, including GSK, is also entitled to preferential dividends determined by the performance of certain products that each shareholder contributed. As the relative performance of these products changes over time, the proportion of the overall earnings of ViiV Healthcare allocated to each shareholder will change. In particular, the increasing proportion of sales of dolutegravir-containing products has a favourable impact on the proportion of the preferential dividends that is allocated to GSK. Adjusting items are allocated to shareholders based on their equity interests. GSK was entitled to approximately 85% of the Total earnings and 82% of the Adjusted earnings of ViiV Healthcare for 2019. Remeasurements of the liabilities for the preferential dividends allocated to Pfizer and Shionogi are included within other operating income.

Acquisition-related arrangements

As consideration for the acquisition of Shionogi's interest in the former Shionogi-ViiV Healthcare joint venture in 2012, Shionogi received the 10% equity stake in ViiV Healthcare.

ViiV Healthcare also agreed to pay additional future cash consideration to Shionogi, contingent on the future sales performance of the products being developed by that joint venture, principally dolutegravir. Under IFRS 3 'Business combinations', GSK was required to provide for the estimated fair value of this contingent consideration at the time of acquisition and is required to update the liability to the latest estimate of fair value at each subsequent period end. The liability for the contingent consideration recognised in the balance sheet at the date of acquisition was £659 million. Subsequent remeasurements are reflected within other operating income/expense and within Adjusting items in the income statement in each period, and at 31 December 2019, the liability, which is discounted at 8.5%, stood at £5,103 million, on a post-tax basis.

Cash payments to settle the contingent consideration are made to Shionogi by ViiV Healthcare each quarter, based on the actual sales performance of the relevant products in the previous quarter. These payments reduce the balance sheet liability and hence are not recorded in the income statement. The cash payments made to Shionogi by ViiV Healthcare in 2019 were £865 million.

Because the liability is required to be recorded at the fair value of estimated future payments, there is a significant timing difference between the charges that are recorded in the Total income statement to reflect movements in the fair value of the liability and the actual cash payments made to settle the liability.

Reporting framework continued

The cash payments are reflected in the cash flow statement partly in operating cash flows and partly within investing activities. The tax relief on these payments is reflected in the Group's Adjusting items as part of the tax charge. The part of each payment relating to the original estimate of the fair value of the contingent consideration on the acquisition of the Shionogi-ViiV Healthcare joint venture in 2012 of £659 million is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition is reported within operating cash flows.

Movements in contingent consideration payable to Shionogi were as follows:

	2019 £m	2018 £m
Contingent consideration at beginning of the year	**5,937**	5,542
Remeasurement through income statement	**31**	1,188
Cash payments: operating cash flows	**(767)**	(703)
Cash payments: investing activities	**(98)**	(90)
Contingent consideration at end of the year	**5,103**	5,937

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 31 December 2019, £730 million (31 December 2018 – £815 million) is expected to be paid within one year.

Exit rights

Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. Under the original agreements, GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of the Pfizer put option and, as a result, in accordance with IFRS, GSK did not recognise a liability for the put option on its balance sheet. However, during Q1 2016, GSK notified Pfizer that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £1,070 million. Consistent with this revised treatment, at the end of Q1 2016 GSK also recognised liabilities for the future preferential dividends anticipated to become payable to Pfizer and Shionogi on the Group's balance sheet.

The closing balances of the liabilities related to Pfizer's shareholding are as follows:

	2019 £m	2018 £m
Pfizer put option	**1,011**	1,240
Pfizer preferential dividend	**4**	15

Under the original agreements, Shionogi could also have requested GSK to acquire its shareholding in ViiV Healthcare in six-month windows commencing in 2017, 2020 and 2022. GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of the Shionogi put option and, as a result, GSK did not recognise a liability for the put option on its balance sheet.

However, during Q1 2016, GSK notified Shionogi that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £926 million. In Q4 2016, Shionogi irrevocably agreed to waive its put option and as a result GSK de-recognised the liability for this put option on the Group's balance sheet directly to equity. The value of the liability was £1,244 million when it was de-recognised.

GSK also has a call option over Shionogi's shareholding in ViiV Healthcare, which under the original agreements was exercisable in six-month windows commencing in 2027, 2030 and 2032. GSK has now irrevocably agreed to waive the first two exercise windows, but the last six-month window in 2032 remains. As this call option is at fair value, it has no value for accounting purposes.

Free cash flow

Free cash flow is defined as the net cash inflow from operating activities less capital expenditure on property, plant and equipment and intangible assets, contingent consideration payments, net finance costs, and dividends paid to non-controlling interests plus proceeds from the sale of property, plant and equipment and intangible assets, and dividends received from joint ventures and associates. It is used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies. Free cash flow growth is calculated on a reported basis. A reconciliation of net cash inflow from operations to free cash flow is set out on page 65.

CER and AER growth

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. CER% represents growth at constant exchange rates. £% or AER% represents growth at actual exchange rates.

Pro-forma growth

The acquisition of the Pfizer consumer healthcare business completed on 31 July 2019 and so GSK's reported results include five months of results of the former Pfizer consumer healthcare business from 1 August 2019.

The Group has presented pro-forma growth rates at CER for turnover, Adjusted operating profit and operating profit by business taking account of this transaction. Pro-forma growth rates at CER for 2019 are calculated comparing reported results for 2019, calculated applying the exchange rates used in the comparative period, with the results for 2018, adjusted to include the equivalent five months of results of the former Pfizer consumer healthcare business, as consolidated (in US$) and included in Pfizer's US GAAP results.

Our approach to tax

We understand our responsibility to pay an appropriate amount of tax, and fully support efforts to ensure that companies are appropriately transparent about how their tax affairs are managed. Tax is an important element of the economic contribution we bring to the countries in which we operate. We do not engage in artificial tax arrangements – those without business or commercial substance. We do not seek to avoid tax by the use of 'tax havens' or transactions we would not fully disclose to a tax authority. We have a zero tolerance approach to tax evasion and the facilitation of tax evasion.

We have a substantial business and employment presence in many countries around the globe and we pay a significant amount of tax, including corporation and other business taxes, as well as tax associated with our employees. At the same time, we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. As part of this approach we look to align our investment strategies to those countries where we already have substantial economic activity, and where government policies promote regimes which are attractive to business investment and R&D activity and are transparent in their intent and available to all relevant tax payers. Examples include the UK Patent Box and Research and Development Expenditure Credit.

Tax risk is managed through robust internal policies and processes to ensure that we have alignment across our business and compliance with tax legislation. Our Audit & Risk Committee and the Board are responsible for approving our tax policies and risk management approach. We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy.

In 2019, the Group corporate tax charge was £953 million (2018 – £754 million) on profits before tax of £6,221 million (2018 – £4,800 million) representing an effective tax rate of 15.3% (2018 – 15.7%). We made cash tax payments of £1,512 million in the year (2018 – £1,326 million). In addition to the taxes we pay on our profits, we pay duties, levies, transactional and employment taxes.

Our Adjusted tax rate for 2019 was 16.0% (2018 – 19.0%). The rate has benefitted from the settlement of open tax positions in key territories. Subject to any material changes in our product mix, or other material changes in tax regulations or laws in the countries in which we operate, the Group's average effective Adjusted tax rate in the medium term is expected to be around 19%.

The Group's Total tax rate of 15.3% (2018 – 15.7%) for 2019 was lower than the Adjusted tax rate as the Total tax charge includes the tax effect of fair value accounting movements on the Group's put option liabilities to ViiV Healthcare and on hedges against shares in Hindustan Unilever Limited to be received on disposal of *Horlicks* and other Consumer Healthcare brands, and a re-assessment of estimates of uncertain tax positions following the settlement of a number of open issues with tax authorities.

In 2019, an ongoing public focus on the tax affairs of multinational companies has included a major project of the Organisation for Economic Co-operation and Development (OECD) on 'Addressing the Tax Challenges of the Digitalisation of the Economy'. GSK welcomes the OECD's efforts to identify a long-term, sustainable and consensus driven solution to the tax challenges resulting from digitalisation and has been active in providing relevant business input to assist in the successful delivery of the aims of the project. In order to create a long-lasting, stable and certain business environment for both taxpayers and Governments, a multilateral consensus-based approach, grounded in clearly defined and accepted principles, is critical and the incentive to innovate must not be diluted.

A continued focus on tax reform during 2019 has been driven by the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives such as fiscal state aid investigations and the introduction of 'Mandatory Disclosure' rules. The outputs from the OECD BEPS projects clarified the important principle that tax should be paid on profits throughout the supply chain, where the profit-making activity takes place. GSK is subject to taxation throughout its supply chain.

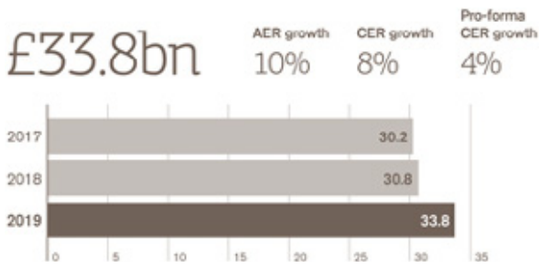
GSK supports the BEPS proposals, in particular the implementation of the OECD's recommendations on 'Country by Country Reporting', including the exchange of this data between tax authorities. This data, validated against existing information held on taxpayers, will support their ability to ensure that multinational groups pay an appropriate amount of tax.

The detailed tax implications of Brexit are dependent on the outcome of negotiations between the UK and EU, and are therefore currently unknown. We continue to work with the Government to ensure the UK retains a trading relationship with the EU that allows us to supply our products as swiftly as we do today to patients and consumers, with zero tariffs on goods, minimal customs procedures and no VAT cash flow cost on cross-border trade. The direct tax implications, in particular, are expected to be limited for GSK while the indirect tax implications may be more significant, including potential customs duty costs and additional transaction or administrative costs associated with managing import and export obligations on the movement of goods between the UK and the EU and between the UK/EU and the rest of the world. Our approach to Brexit is set out on page 48.

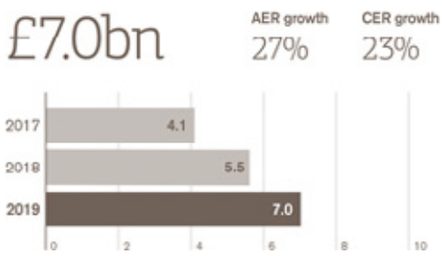
Our Tax Strategy is set out in detail within the Public Policy positions section of our website. Further details about our corporate tax charges for the year are set out on page 189.

Financial performance

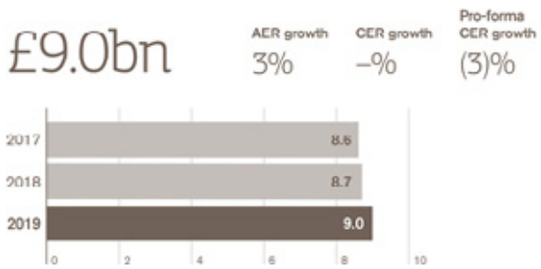
Group turnover (£bn)



Total operating profit (£bn)



Adjusted operating profit (£bn)



GSK uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined on pages 50 to 52.

The Total results of the Group are set out below.

	2019		2018		Growth	
	£m	**% of turnover**	£m	% of turnover	£%	CER%
Turnover	**33,754**	**100**	30,821	100	10	8
Cost of sales	**(11,863)**	**(35.1)**	(10,241)	(33.2)	16	16
Selling, general and administration	**(11,402)**	**(33.8)**	(9,915)	(32.2)	15	13
Research and development	**(4,568)**	**(13.5)**	(3,893)	(12.6)	17	15
Royalty income	**351**	**1.1**	299	1.0	17	17
Other operating income/ (expense)	**689**	**1.9**	(1,588)	(5.2)		
Operating profit	**6,961**	**20.6**	5,483	17.8	27	23
Net finance costs	**(814)**		(717)			
Profit on disposal of interest in associates	**–**		3			
Share of after-tax profits of associates and joint ventures	**74**		31			
Profit before taxation	**6,221**		4,800		30	25
Taxation	**(953)**		(754)			
Profit after taxation for the year	**5,268**		4,046		30	26
Profit attributable to shareholders	**4,645**		3,623			
Earnings per share (p)	**93.9**		73.7		27	23
Earnings per ADS (US$)	**2.40**		1.96			

The Adjusted results for the Group are set out below. Reconciliations between Total results and Adjusted results for 2019 and 2018 are set out on page 62.

	2019		2018		Growth	
	£m	**% of turnover**	£m	% of turnover	£%	CER%
Turnover	**33,754**	**100**	30,821	100	10	8
Cost of sales	**(10,079)**	**(29.9)**	(9,178)	(29.8)	10	10
Selling, general and administration	**(10,715)**	**(31.7)**	(9,462)	(30.7)	13	12
Research and development	**(4,339)**	**(12.9)**	(3,735)	(12.1)	16	14
Royalty income	**351**	**1.1**	299	1.0	17	17
Adjusted operating profit	**8,972**	**26.6**	8,745	28.4	3	–
Adjusted profit attributable to shareholders	**6,131**		5,869		4	1
Adjusted earnings per share (p)	**123.9**		119.4		4	1

Group financial review continued

Financial performance continued

Group turnover

Group turnover by business

	2019 £m	2018 £m	Growth £%	Growth CER%
Pharmaceuticals	**17,554**	17,269	2	–
Vaccines	**7,157**	5,894	21	19
Consumer Healthcare	**8,995**	7,658	17	17
Group turnover	**33,706**	30,821	9	8
Corporate and other unallocated turnover	**48**	–		
	33,754	30,821	10	8
Pro-forma growth				4

Group turnover by geographic region

	2019 £m	2018 £m	Growth £%	Growth CER%
US	**13,890**	11,982	16	12
Europe	**8,069**	7,973	1	2
International	**11,795**	10,866	9	9
	33,754	30,821	10	8

Group turnover for the year increased 10% AER, 8% CER to £33,754 million, with growth delivered by Vaccines and Consumer Healthcare, and Pharmaceuticals flat at CER. Pro-forma turnover growth for the Group was 4% CER.

Pharmaceuticals turnover in the year was £17,554 million, up 2% AER, but flat at CER. HIV sales were up 3% AER, 1% CER, to £4,854 million and Respiratory sales were up 18% AER, 15% CER, to £3,081 million. Sales of Established Pharmaceuticals were £8,776 million, down 7% AER, 8% CER.

Vaccines turnover grew 21% AER, 19% CER to £7,157 million, primarily driven by growth in sales of *Shingrix*. Meningitis vaccines also contributed significantly to growth.

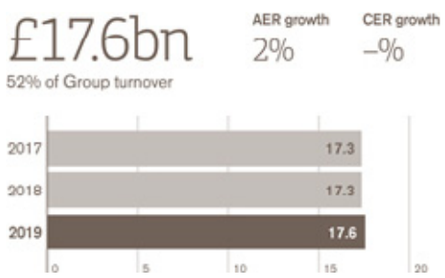
Pharmaceuticals and Vaccines Innovation sales (sales of products launched in the last five years) amounted to £3.8 billion in 2019, driven by sales of *Shingrix*, *Trelegy Ellipta* and *Nucala*.

Consumer Healthcare sales grew 17% AER, 17% CER to £8,995 million. On a pro-forma basis, sales grew 2%, driven by strong performance in the Oral health category, partly offset by a decline in Skin health.

Consumer Healthcare Innovation sales (sales of products new to market in the last three years) amounted to 12% of Consumer Healthcare sales, reflecting continued focus on Oral health innovations.

Pharmaceuticals

Turnover (£bn)



Pharmaceuticals turnover

	2019 £m	2018 (revised) £m	Growth £%	Growth CER%
Respiratory	**3,081**	2,612	18	15
HIV	**4,854**	4,722	3	1
Immuno-inflammation	**613**	472	30	25
Oncology	**230**	–	–	–
Established Pharmaceuticals	**8,776**	9,463	(7)	(8)
	17,554	17,269	2	–

Pharmaceuticals turnover in the year was £17,554 million, up 2% AER, but flat at CER. HIV sales were up 3% AER, 1% CER, to £4,854 million, with growth in *Juluca* and *Dovato* partly offset by declines in *Triumeq* and *Tivicay*. Respiratory sales were up 18% AER, 15% CER, to £3,081 million, on growth of *Trelegy Ellipta* and *Nucala*. Sales of Established Pharmaceuticals were £8,776 million, down 7% AER, 8% CER, including the impact of loss of exclusivity of *Advair*.

In the US, sales declined 1% AER, 4% CER. Continued growth of *Nucala, Trelegy Ellipta* and *Benlysta* was more than offset by the decline in Established Products including the loss of exclusivity of *Advair*. Excluding *Advair* and *Relvar/Breo Ellipta,* which were impacted by genericisation of the ICS/LABA market, growth was 13% AER, 9% CER. In Europe, sales grew 1% AER, 2% CER, with strong growth in Respiratory partly offset by a decline in Established Pharmaceuticals. International grew 5% AER, 4% CER, with growth in all therapy areas.

Financial performance continued

Respiratory

Total Respiratory sales were up 18% AER, 15% CER, with strong growth in all regions. *Ellipta* product sales grew 13% AER, 10% CER, with Europe up 26% AER, 27% CER and International up 29% AER, 27% CER on *Trelegy* and *Relvar/Breo* growth. *Nucala* was up 36% AER, 37% CER in Europe and 56% AER, 50% CER in International. In the US, *Trelegy Ellipta* and *Nucala growth* offset the decline in *Relvar/Breo Ellipta* on post generic ICS/LABA price pressure.

Sales of *Nucala* were £768 million in the year and grew 36% AER, 33% CER, with US sales of £453 million up 33% AER, 28% CER, including the impact of the new at-home use application.

Sales of *Ellipta* products were up 13% AER, 10% CER to £2,313 million driven by growth in Europe and International regions. In the US, sales grew 4% AER, but were flat at CER, reflecting continued competitive pricing pressures for ICS/ LABAs, post generic *Advair*. In Europe, sales grew 26% AER, 27% CER, and in International by 29% AER, 27% CER. Sales of *Trelegy Ellipta* contributed £518 million globally in the year, driven by an increase in US market share.

Relvar/Breo Ellipta sales were down 11% AER, 13% CER, driven by the US, where *Relvar/Breo Ellipta* declined 34% AER, 37% CER as a result of competitive pricing pressures and the impact of generic *Advair* on the US ICS/LABA market. In Europe and International, *Relvar/Breo Ellipta* continued to grow, up 11% AER, 12% CER in Europe, and 21% AER, 19% CER in International.

HIV

HIV sales grew 3% AER, 1% CER to £4,854 million in the year. The dolutegravir franchise grew 5% AER, 2% CER, delivering sales of £4,633 million. The remaining portfolio, £221 million and 5% of total HIV sales, declined 27% AER, 27% CER and reduced the overall HIV growth by two percentage points at AER and one percentage point at CER.

Sales of dolutegravir products were £4,633 million, with *Triumeq* and *Tivicay* delivering sales of £2,549 million and £1,662 million, respectively. The two-drug regimens, *Juluca* and *Dovato*, delivered sales of £422 million in the year with combined growth more than offsetting the decline in the three-drug regimen, *Triumeq*, which reflected the impact of competition as well as the transition of the business to the new portfolio.

In the US, following the launch of *Dovato* in April 2019, combined sales of the two-drug regimens were £350 million. Total dolutegravir sales grew 4% AER but were flat at CER, reflecting a year-on-year share decline as the business transitions to the new two-drug portfolio, offset by a net price benefit. In Europe, total dolutegravir sales were flat at AER and flat at CER, with strong growth in market share offsetting price erosion and higher clawback payments. *Dovato* and *Juluca* reported combined sales of £65 million. International grew strongly with total dolutegravir sales growth of 22% AER, 22% CER, driven by *Tivicay* and *Triumeq*.

Oncology

Sales of *Zejula*, were £229 million in the period from the date of acquisition, comprising £134 million in the US and £95 million in Europe.

Immuno-inflammation

Sales of *Benlysta* in the year were up 30% AER, 25% CER to £613 million, including sales of the sub-cutaneous formulation of £268 million. In the US, *Benlysta* grew 27% AER, 23% CER to £535 million.

Established Pharmaceuticals

Sales of Established Pharmaceuticals in the year were £8,776 million, down 7% AER, 8% CER.

Established Respiratory products declined 10% AER, 11% CER to £3,900 million, with the decline in *Advair/Seretide* partly offset by higher sales of *Ventolin*, *Flovent* and allergy products. In the US, a generic version of *Advair* was launched in February, resulting in a 54% AER, 56% CER decline in the year. In Europe, *Seretide* sales were down 16% AER, 16% CER to £502 million, reflecting continued competition from generic products and the transition of the Respiratory portfolio to newer products. In International, sales of *Seretide* were flat at AER but down 1% CER. Globally, *Ventolin* grew by 27% AER, 25% CER, driven by the strong uptake of an authorised generic version in the US.

The remainder of the Established Pharmaceuticals portfolio declined 5% AER, 6% CER to £4,876 million, including *Lamictal* down 8% AER, 10% CER to £566 million on generic competition and lower sales of *Viread* in International. These declines were partly offset by *Augmentin*, up 6% AER, 6% CER to £602 million in the year, driven by strong growth in International.

Group financial review continued

Financial performance continued

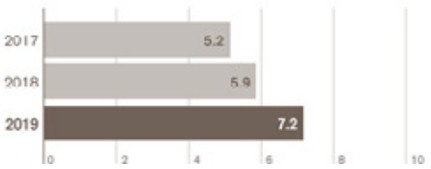
Vaccines

Turnover (£bn)

£7.2bn
21% of Group turnover

AER growth 21%

CER growth 19%



Vaccines turnover

	2019 £m	2018 £m	Growth £%	Growth CER%
Meningitis	**1,018**	881	16	15
Influenza	**541**	523	3	1
Shingles	**1,810**	784	>100	>100
Established Vaccines	**3,788**	3,706	2	1
	7,157	5,894	21	19

Vaccines turnover grew 21% AER, 19% CER to £7,157 million, primarily driven by growth in sales of *Shingrix.* Meningitis vaccines also contributed to growth mainly due to *Bexsero* demand and share gains in the US together with stronger demand in International. Established Vaccines grew 2% AER, 1% CER to £3,788 million, primarily reflecting strong growth in *Boostrix,* Hepatitis vaccines, *Synflorix* and *Infanrix/Pediarix,* partly offset by lower *Cervarix* sales in International and supply constraints in MMRV vaccines.

Meningitis

Meningitis sales grew 16% AER, 15% CER to £1,018 million. *Bexsero* sales grew 16% AER, 16% CER to £679 million, driven by demand and share gains in the US together with stronger demand in International and Europe, partly offset by the completion of the vaccination of catch-up cohorts in certain markets in Europe. *Menveo* grew 15% AER, 13% CER, primarily reflecting improved supply and higher demand in International.

Influenza

Fluarix/FluLaval sales were up 3% AER, 1% CER to £541 million, reflecting strong sales execution in the US, partly offset by increased price competition in the US and lower demand in Europe.

Shingles

Shingrix recorded sales of £1,810 million, primarily driven by continued strong uptake and the favourable benefit of prior-period rebate adjustments in the US. Germany and Canada also contributed to growth.

Established Vaccines

Sales of DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix)* grew 10% AER, 8% CER. *Infanrix/Pediarix* sales grew 8% AER, 6% CER to £733 million, reflecting favourable year-on-year US CDC stockpile movements and stronger demand in International, partly offset by competitive pressures in Europe. *Boostrix* sales were up 13% AER, 11% CER to £584 million mainly due to strong demand in International together with share gains and higher demand in the US.

Hepatitis vaccines grew 8% AER, 6% CER to £874 million, primarily due to favourable year-on-year CDC stockpile movements and the continued benefit from a competitor supply shortage in the US, partly offset by supply constraints and lower demand in Europe.

Synflorix sales grew 10% AER, 11% CER to £468 million, primarily due to stronger demand in International.

Rotarix sales were up 7% AER, 6% CER to £558 million, reflecting stronger demand in International and the US together with favourable phasing in International.

MMRV vaccines sales declined 24% AER, 23% CER to £232 million, largely driven by supply constraints in Europe and International.

Cervarix sales were down 64% AER, 64% CER to £50 million, reflecting lower demand and expected returns due to competitive pressure in China, together with lower demand elsewhere in International.

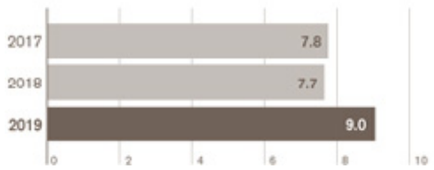
Financial performance continued

Consumer Healthcare

Turnover (£bn)

£9.0bn
27% of Group turnover

AER growth	CER growth	Pro-forma CER growth
17%	17%	2%



Consumer Healthcare turnover

	2019 £m	2018 £m	Growth £%	Growth CER%
Wellness	**4,526**	3,940	15	14
Oral health	**2,673**	2,496	7	7
Nutrition	**1,176**	643	83	81
Skin health	**620**	579	7	7
	8,995	7,658	17	17

	2019 £m	2018 £m	Growth £%	Growth CER%
US	**2,583**	1,828	41	36
Europe	**2,456**	2,340	5	6
International	**3,956**	3,490	13	14
	8,995	7,658	17	17
Pro-forma growth				2

Consumer Healthcare sales grew 17% AER, 17% CER in 2019 to £8,995 million. On a pro-forma basis, sales grew 2%, driven by strong performance in the Oral health category, partly offset by a decline in Skin health. At a regional level, growth was driven by the US and International following the acquisition of the Pfizer portfolio, while on a pro-forma basis growth was driven primarily by the International region with strong performance in India and China.

Divestments and the phasing out of low-margin contract manufacturing had a negative impact on pro-forma growth of approximately one percentage point.

Sales of the Consumer Healthcare business included five months of Pfizer brand sales arising after the creation of the joint venture. The Pfizer brands have been included in the existing categories and geographic regions used to report Consumer Healthcare sales. GSK expects to revise this category structure for reporting from Q1 2020 onwards.

Wellness

Wellness sales grew 15% AER, 14% CER to £4,526 million for the year. On a pro-forma basis, sales were flat, with growth in Pain relief offset by a decline in Respiratory and the phasing out of low-margin contract manufacturing. Pain relief benefited from continued strong performance of *Panadol* and *Advil* with the latter reflecting ongoing recovery from now resolved supply issues. *Voltaren* saw weaker performance and was also impacted by retail stock movements. Respiratory sales declined as growth in *Flonase* was more than offset by weaker performance in *Theraflu,* following a strong cold and flu comparator in 2018. Growth was also impacted by a decline in other Respiratory brands.

Oral health

Oral health sales grew 7% AER, 7% CER to £2,673 million. *Sensodyne* saw double-digit, broad-based growth, with strong performance in the US and India benefiting from new product innovations. Gum health grew in double digits with broad-based growth, while Denture care grew in mid-single digits. Oral health growth was also impacted by a decline in sales of non-strategic brands.

Nutrition

Nutrition sales grew 83% AER, 81% CER to £1,176 million, largely due to the inclusion of the Pfizer vitamins, minerals and supplements portfolio. On a pro-forma basis, sales were flat, reflecting the strong performance of *Horlicks,* offset by declines in other Nutrition products due to the alignment of in-market inventory levels of some Pfizer brands. Growth was also impacted by the divestment of *Horlicks* and *Maxinutrition* in the UK.

Skin health

Skin health sales grew 7% AER, 7% CER to £620 million, largely due to the addition of *ChapStick* from the Pfizer portfolio. On a pro-forma basis, sales declined in mid-single digits, largely due to divestments of small tail brands in the US and UK.

Group financial review continued

Financial performance continued

Cost of sales

	2019 £m	2018 £m	Growth £%	Growth CER%
Total cost of sales	**(11,863)**	(10,241)	16	16
Adjusted cost of sales	**(10,079)**	(9,178)	10	10

Total cost of sales as a percentage of turnover was 35.1%, 1.9 percentage points higher at AER and 2.4 percentage points higher in CER terms compared with 2018. This reflected an increase in the costs of Major restructuring programmes, primarily as a result of write-downs in a number of manufacturing sites, the unwind of the fair market value uplift on inventory arising on completion of the Consumer Healthcare Joint Venture with Pfizer and increased amortisation of intangible assets.

Excluding these and other Adjusting items, Adjusted cost of sales as a percentage of turnover was 29.9%, 0.1 percentage points higher at AER and 0.5 percentage points higher at CER compared with 2018. On a pro-forma basis, Adjusted cost of sales as a percentage of turnover was 29.9%, 0.3 percentage points higher at CER, than in 2018. This reflected continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, an unfavourable product mix in Pharmaceuticals and a number of non-restructuring related write-downs in manufacturing sites. This was partly offset by a more favourable product mix in Vaccines, primarily due to growth of *Shingrix* in the US, a favourable impact of inventory adjustments in Vaccines and a further contribution from integration and restructuring savings in Pharmaceuticals and Consumer Healthcare.

Selling, general and administration

	2019 £m	2018 £m	Growth £%	Growth CER%
Total selling, general and administration	**(11,402)**	(9,915)	15	13
Adjusted selling, general and administration	**(10,715)**	(9,462)	13	12

Total SG&A costs as a percentage of turnover were 33.8%, 1.6 percentage points higher at AER and 1.6 percentage points higher at CER compared with 2018. This included increased significant legal charges arising from the settlement of existing matters and provisions for ongoing litigation, costs related to the acquisition of the Pfizer consumer healthcare business and a reversal of an indemnity receivable from Novartis following a tax settlement, with an equivalent release of a tax provision which was reflected in the tax charge, as well as increased restructuring costs.

Excluding these and other Adjusting items, Adjusted SG&A costs as a percentage of turnover were 31.7%, 1.0 percentage point higher at AER than in 2018 and 1.0 percentage point higher on a CER basis. On a pro-forma basis, Adjusted SG&A costs as a percentage of turnover was 31.7%, 0.8 percentage points higher at CER, compared with 2018.

The growth in Adjusted SG&A costs of 13% AER, 12% CER and 7% CER on a pro-forma basis reflected increased investment resulting from the acquisition of Tesaro and in promotional product support, particularly for new launches in Vaccines, Respiratory and HIV, as well as increased costs for a number of legal settlements.

This was partly offset by the continuing benefit of restructuring in Pharmaceuticals and the tight control of ongoing costs, particularly in non-promotional spending across all three businesses.

Research and development

	2019 £m	2018 £m	Growth £%	Growth CER%
Total research and development	**(4,568)**	(3,893)	17	15
Adjusted research and development	**(4,339)**	(3,735)	16	14

Total R&D expenditure was £4,568 million, 13.5% of turnover, up 17% AER, 15% CER. Adjusted R&D expenditure was £4,339 million, 12.9% of turnover, 16% higher at AER, 14% higher at CER than in 2018. On a pro-forma basis, Adjusted R&D expenditure grew 13% CER compared with 2018.

Pharmaceuticals R&D expenditure was £3,348 million, up 19% AER, 16% CER, with a significant increase in study and clinical trial material investment in Oncology compared with 2018. This reflected the progression of assets from the Tesaro acquisition, primarily *Zejula* and dostarlimab, and a number of other programmes, including belantamab mafodotin, NY-ESO, ICOS and bintrafusp alfa, as well as increased spending on the progression of key non-Oncology assets, such as aGM-CSF for rheumatoid arthritis. This was partly offset by savings from the early phase portfolio reprioritisation in late 2018. R&D expenditure in Vaccines and Consumer Healthcare was £718 million and £273 million, respectively.

Royalty income

Royalty income was £351 million (2018 – £299 million), up 17% AER, 17% CER, primarily reflecting increased royalties on sales of Gardasil.

Other operating income/(expense)

Net other operating income of £689 million (2018 – £1,588 million expense) primarily reflected the profit on disposal of rabies and tick-borne encephalitis vaccines (£306 million) and a number of other asset disposals, together with an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands. The cumulative increase in value since the signing of the proposed transaction was £240 million.

Other income also included accounting credits of £127 million (2018 – £1,846 million expense) arising from the remeasurement of the contingent consideration liabilities related to the acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. This included a remeasurement charge of £31 million (2018 – £1,188 million) for the contingent consideration liability due to Shionogi, primarily arising from the unwind of the discounting, partly offset by changes in exchange rate assumptions and sales forecasts. 2018 also included a remeasurement charge of £658 million in relation to the Consumer Healthcare put option.

Financial performance continued

Operating profit

Total operating profit was £6,961 million in 2019 compared with £5,483 million in 2018. Reduced remeasurement charges on the contingent consideration liabilities, no Consumer Healthcare put option charge, increased profits on disposals and an increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands were partly offset by increased charges for Major restructuring, primarily arising from write-downs in a number of manufacturing sites and costs to integrate the Consumer Healthcare Joint Venture, and increased significant legal charges.

Excluding these and other Adjusting items, Adjusted operating profit was £8,972 million, 3% higher than 2018 at AER but flat at CER on a turnover increase of 8% CER. The Adjusted operating margin of 26.6% was 1.8 percentage points lower at AER, and 2.1 percentage points lower on a CER basis than in 2018. On a pro-forma basis, Adjusted operating profit was 3% lower at CER on a turnover increase of 4% CER. The Adjusted pro-forma operating margin of 26.6% was 1.9 percentage points lower on a CER basis than in 2018.

The reduction in pro-forma Adjusted operating profit primarily reflected continuing price pressure, particularly in Respiratory, including the impact of the launch of a generic version of *Advair* in the US in February 2019, investment in R&D including a significant increase in Oncology investment, partly on the assets from the Tesaro acquisition, and investments in promotional product support, particularly for new launches in Vaccines, HIV and Respiratory. This was partly offset by the benefit from sales growth, particularly in Vaccines, a more favourable mix in Vaccines and Consumer Healthcare, favourable inventory adjustments in Vaccines and the continued benefit of restructuring with tight control of ongoing costs across all three businesses.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in 2019 amounted to £893 million (2018 – £1,137 million), including payments to Shionogi of £865 million (2018 – £793 million).

Operating profit by business

Pharmaceuticals operating profit was £4,595 million, down 20% AER, 22% CER with turnover flat at CER. The operating margin of 26.2% was 7.1 percentage points lower at AER than in 2018 and 7.2 percentage points lower on a CER basis. This primarily reflected the increase in cost of sales percentage due to the continued impact of lower prices, particularly in Respiratory, including the impact of the launch of a generic version of *Advair* in the US in February 2019, an unfavourable product mix, primarily as a result of the decline in *Advair* and growth in lower margin products, a significant increase in Oncology R&D and investment in new product support and targeted priority markets, together with a number of non-restructuring related write-downs in manufacturing sites and higher legal costs.

This was partly offset by the continued benefit of restructuring and tight control of ongoing costs and the benefits of re-prioritisation of the R&D portfolio.

Vaccines operating profit was £2,966 million, 53% AER, 46% CER higher than in 2018 on a turnover increase of 19% CER. The operating margin of 41.4% was 8.5 percentage points higher at AER than in 2018 and 7.3 percentage points higher on a CER basis. This was primarily driven by enhanced operating leverage from strong sales growth, particularly *Shingrix* in the US, improved product mix and higher royalty income. Increased SG&A investment to support business growth was partly offset by income from one-off settlements.

Consumer Healthcare operating profit was £1,874 million, up 24% AER, 22% CER higher on a turnover increase of 17% CER. On a pro-forma basis, operating profit was £1,874 million, 4% CER higher on a turnover increase of 2% CER. The operating margin of 20.8% was 1.0 percentage point higher at AER and 0.9 percentage points higher on a CER basis than in 2018. The pro-forma operating margin of 20.8% was 0.5 percentage points higher on a CER basis. This primarily reflected continued manufacturing restructuring savings, improved growth from higher margin power brands and the divestment of lower margin tail products, as well as tight control of other operating expenses, partly offset by increased investment in promotion.

Net finance costs

	2019 £m	2018 (revised) £m
Finance income		
Interest and other income	**79**	74
Fair value movements	**19**	7
	98	81
Finance expense		
Interest expense	**(840)**	(715)
Unwinding of discounts on provisions	**(8)**	(15)
Remeasurements and fair value movements	**(1)**	3
Finance expense on lease liabilities	**(39)**	(2)
Other finance expense	**(24)**	(69)
	(912)	(798)

Total net finance costs were £814 million compared with £717 million in 2018. Adjusted net finance costs were £810 million compared with £698 million in 2018. The increase primarily reflected higher debt levels following the acquisition from Novartis of its stake in the Consumer Healthcare Joint Venture in June 2018 and the acquisition of Tesaro in January 2019, as well as an adverse comparison with a one-off accounting adjustment of £20 million to amortisation of interest charges in 2018. This was partly offset by the benefit from older bonds being refinanced at lower interest rates, a fair value gain on interest rate swaps and interest of £23 million in Q3 2018 on an historic tax settlement. Following the introduction of IFRS 16, ‘Leases’, finance costs included an unwind of the discount on the lease liability of £39 million in the year.

Group financial review continued

Financial performance continued

Share of after-tax profits of associates and joint ventures

The share of after-tax profits of associates was £74 million (2018 – £31 million). This included a one-off adjustment of £51 million to reflect GSK's share of increased after-tax profits of Innoviva primarily as a result of a non-recurring income tax benefit.

Profit before tax

Taking account of net finance costs and the share of profits of associates, profit before taxation was £6,221 million compared with £4,800 million in 2018.

Taxation

	2019 £m	2018 £m
UK current year charge	**149**	234
Rest of world current year charge	**1,407**	1,426
Charge in respect of prior periods	**(420)**	(492)
Total current taxation	**1,136**	1,168
Total deferred taxation	**(183)**	(414)
Taxation on total profits	**953**	754

The charge of £953 million represented an effective tax rate on Total results of 15.3% (2018 – 15.7%) and reflected the different tax effects of the various Adjusting items. Tax on Adjusted profit amounted to £1,318 million and represented an effective Adjusted tax rate of 16.0% (2018 – 19.0%), reflecting the impact of the settlement of a number of open issues with tax authorities.

Issues related to taxation are described in Note 14, to the financial statements 'Taxation'. The Group continues to believe it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities.

Non-controlling interests

The allocation of Total earnings to non-controlling interests amounted to £623 million (2018 – £423 million). The increase was primarily due to an increased allocation of ViiV Healthcare profits of £482 million (2018 – £251 million) and higher net profits in some of the Group's other entities with non-controlling interests. This was partly offset by the lower allocation of Consumer Healthcare profits of £70 million (2018 – £117 million) following the buyout of Novartis' interest in June 2018 and the completion of the new Consumer Healthcare Joint Venture with Pfizer on 31 July 2019, and which included the unwind of the fair value uplift on acquired inventory.

The allocation of Adjusted earnings to non-controlling interests amounted to £787 million (2018 – £674 million). The increase in allocation reflected an increased allocation of Consumer Healthcare profits of £204 million (2018 – £118 million), an increased allocation of ViiV Healthcare profits of £512 million (2018 – £501 million) and higher net profits in some of the Group's other entities with non-controlling interests.

Earnings per share

Total earnings per share was 93.9p, compared with 73.7p in 2018. The increase in earnings per share primarily reflected reduced remeasurement charges on the contingent consideration liabilities and put options, an increase in the value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, a reduced effective tax rate and the increased share of after-tax profit of the associate Innoviva.

Adjusted EPS of 123.9p compared with 119.4p in 2018, up 4% AER, 1% CER, with Adjusted operating profit flat at CER. The improvement primarily resulted from a reduced effective tax rate and an increased share of after-tax profits of associates as a result of a non-recurring income tax benefit in Innoviva, partly offset by increased net finance costs and a higher non-controlling interest allocation of Consumer Healthcare profits.

Dividends

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend declared for 2018. See Note 16 to the financial statements, 'Dividends'.

Dividend policy

GSK recognises the importance of dividends to shareholders and aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.

The Board intends to maintain the dividend for 2020 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25 - 1.50x, before returning the dividend to growth.

Outlook

Our outlook for 2020 reflects our expectations for growth in key new products, and the start of a two-year period in which we will continue to increase investment in these products and in our R&D pipeline, alongside implementation of our new programme which will prepare the Group for separation.

In 2020 we expect Adjusted EPS to decline in the range of -1% to -4% at CER. This guidance excludes any impact in 2020 from any further material divestments beyond those previously announced and any potential impact on our business from the coronavirus outbreak.

All expectations, guidance and targets regarding future performance and dividend payments should be read together with 'Cautionary statement regarding forward-looking statements' and 'Assumptions related to 2016-2020 outlook' on the inside back cover.

Adjusting items

Adjusted results reconciliation 31 December 2019	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	33,754						33,754
Cost of sales	(11,863)	713	30	658	383	–	(10,079)
Gross profit	21,891	713	30	658	383	–	23,675
Selling, general and administration	(11,402)		4	332	104	247	(10,715)
Research and development	(4,568)	64	49	114		2	(4,339)
Royalty income	351						351
Other operating (expense)/income	689			1	(142)	(548)	–
Operating profit	6,961	777	83	1,105	345	(299)	8,972
Net finance costs	(814)			5		(1)	(810)
Share of after-tax profits of associates and joint ventures	74						74
Profit before taxation	6,221	777	83	1,110	345	(300)	8,236
Taxation	(953)	(156)	(17)	(208)	(124)	140	(1,318)
Tax rate	*15.3%*						*16.0%*
Profit after taxation	5,268	621	66	902	221	(160)	6,918
Profit attributable to non-controlling interests	623				164		787
Profit attributable to shareholders	4,645	621	66	902	57	(160)	6,131
Earnings per share	93.9p	12.6p	1.3p	18.2p	1.2p	(3.3)p	123.9p
Weighted average number of shares (millions)	4,947						4,947

Adjusted results reconciliation 31 December 2018	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	30,821						30,821
Cost of sales	(10,241)	536	69	443	15	–	(9,178)
Gross profit	20,580	536	69	443	15	–	21,643
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Royalty income	299						299
Other operating (expense)/income	(1,588)			2	1,864	(278)	–
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	–
Share of after-tax profits of associates and joint ventures	31						31
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)
Tax rate	*15.7%*						*19.0%*
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Profit attributable to non-controlling interests	423				251		674
Profit attributable to shareholders	3,623	471	97	643	1,484	(449)	5,869
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914

Group financial review continued

Adjusting items continued

Major restructuring and integration

Within the Pharmaceuticals sector, the highly-regulated manufacturing operations and supply chains and long life-cycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board-approved Major restructuring programmes and are excluded from Adjusted results. Major restructuring programmes, including integration costs following material acquisitions, are those that are structural and are of a significant scale where the costs of individual or related projects exceed £25 million. Other ordinary course smaller-scale restructuring costs are retained within Total and Adjusted results.

Total Major restructuring charges incurred in 2019 were £1,105 million (2018 – £809 million), analysed as follows:

	2019			2018		
	Cash £m	**Non-cash £m**	**Total £m**	Cash £m	Non-cash £m	Total £m
2018 major restructuring programme (incl. Tesaro)	**227**	**572**	**799**	279	90	369
Consumer Healthcare Joint Venture integration programme	**248**	**4**	**252**	–	–	–
Combined restructuring and integration programme	**10**	**44**	**54**	330	110	440
	485	**620**	**1,105**	609	200	809

Cash charges primarily arose from restructuring of the manufacturing organisation, R&D and some administrative functions as well as the integration of Tesaro under the 2018 major restructuring programme and integration costs under the Consumer Healthcare Joint Venture integration programme. Non-cash charges under the 2018 major restructuring programme primarily related to announced plans to restructure the manufacturing network.

Total cash payments made in 2019 were £645 million, £316 million for the existing Combined restructuring and integration programme (2018 – £528 million) and £164 million (2018 – £9 million) under the 2018 major restructuring programme including the settlement of certain charges accrued in previous quarters and a further £165 million relating to the Consumer Healthcare Joint Venture integration programme.

The analysis of major restructuring charges by business was as follows:

	2019 £m	2018 £m
Pharmaceuticals	**651**	563
Vaccines	**58**	104
Consumer Healthcare	**321**	72
	1,030	739
Corporate and central functions	**75**	70
Total Major restructuring charges	**1,105**	809

The analysis of Major restructuring charges by Income statement line was as follows:

	2019 £m	2018 £m
Cost of sales	**658**	443
Selling, general and administration	**332**	315
Research and development	**114**	49
Other operating income/(expense)	**1**	2
Total Major restructuring charges	**1,105**	809

The Combined restructuring and integration programme delivered incremental annual cost savings in the year of £0.3 billion. The 2018 major restructuring programme delivered incremental cost savings in the year of £0.2 billion.

Total cash charges for the Combined restructuring and integration programme are now expected to be approximately £4.0 billion with non-cash charges of £1.4 billion. The total of £5.4 billion represents a reduction of £0.3 billion from the originally approved £5.7 billion. The programme has now delivered approximately £4.2 billion of annual savings, including an estimated currency benefit of £0.2 billion. The programme is expected to deliver by the end of 2020 total annual savings of £4.3 billion on a constant currency basis, including an estimated benefit of £0.2 billion from currency on the basis of 2019 average exchange rates. The programme is substantially complete and therefore GSK will cease external reporting of total costs and benefits of the Combined restructuring and integration programme from 2020 onwards.

The Group acquired Tesaro in January 2019, and is expected to incur around £50 million of integration and restructuring cash costs, leading to annual cost-saving benefits of around £50 million. This has been added to and reported as part of the existing 2018 major restructuring programme.

The 2018 major restructuring programme, now including Tesaro, is expected to cost £1.75 billion over the period to 2021, with cash costs of £0.85 billion and non-cash costs of £0.9 billion, and is expected to deliver annual savings of around £450 million by 2021 (at 2019 rates). These savings are intended to be fully re-invested to help fund targeted increases in R&D and commercial support of new products.

The completion of the new Consumer Healthcare Joint Venture with Pfizer is expected to realise substantial cost synergies, generating total annual cost savings of £0.5 billion by 2022 for expected cash costs of £0.7 billion and non-cash charges of £0.3 billion, plus additional capital expenditure of £0.2 billion. Up to 25% of the cost savings are intended to be reinvested in the business to support innovation and other growth opportunities.

The Group has initiated a two-year Separation Preparation programme to prepare for the separation of GSK into two companies: New GSK, a biopharma company with an R&D approach focused on science related to the immune system, the use of genetics and new technologies, and a new leader in Consumer Healthcare.

Adjusting items continued

The programme aims to:

- drive a common approach to R&D with improved capital allocation
- align and improve the capabilities and efficiency of global support functions to support New GSK
- further optimise the supply chain and product portfolio, including the divestment of non-core assets. A strategic review of prescription dermatology is underway
- prepare Consumer Healthcare to operate as a standalone company

The programme will target delivery of £0.7 billion of annual savings by 2022 and £0.8 billion by 2023, with total costs estimated at £2.4 billion, of which £1.6 billion is expected to be cash costs. The proceeds of anticipated divestments are largely expected to cover the cash costs of the programme. Additional one-time costs to prepare Consumer Healthcare for separation are estimated at £600-700 million, excluding transaction costs.

Transaction-related adjustments

Transaction-related adjustments resulted in a net charge of £345 million (2018 – £1,977 million). This included a net £127 million accounting credit for the remeasurement of the contingent consideration liabilities related to the acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare.

Charge/(credit)	2019 £m	2018 £m
Consumer Healthcare Joint Venture put option	–	658
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	31	1,188
ViiV Healthcare put options and Pfizer preferential dividends	(234)	(58)
Contingent consideration on former Novartis Vaccines business	76	58
Release of fair value uplift on acquired Pfizer inventory	366	–
Other adjustments	106	131
Total transaction-related charges	345	1,977

The £31 million charge relating to the contingent consideration for the former Shionogi-ViiV Healthcare joint venture represented an increase in the valuation of the contingent consideration due to Shionogi, primarily as a result of a £435 million unwind of the discount, partly offset by updated exchange rate assumptions and adjustments to sales forecasts. The £234 million credit relating to the ViiV Healthcare put options and Pfizer preferential dividends represented a reduction in the valuation of the put option as a result of adjustments to multiples and sales forecasts as well as updated exchange rate assumptions.

Other adjustments included transaction costs arising on completion of the Consumer Healthcare Joint Venture with Pfizer, as well as a reversal of an indemnity receivable from Novartis following a tax settlement, with an equivalent release of a tax provision. An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 51.

Divestments, significant legal charges and other items

Divestments and other items included a profit on disposal of rabies and tick-borne encephalitis vaccines (£306 million), a gain in the year of £143 million arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, as well as equity investment impairments and certain other Adjusting items together with the profit on a number of asset disposals. A charge of £251 million (2018 – £33 million) for significant legal matters included the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £294 million (2018 – £39 million).

Pro-forma growth reconciliations

The tables below set out reconciliations between reported CER growth rates and pro-forma CER growth rates and between reported margin percentages and pro-forma margin percentages.

	Reported growth rate CER%	Adjustment to include August to December 2018 results of Pfizer consumer healthcare business	Pro-forma growth rate CER%
Group			
Turnover	8	(4)	4
Adjusted cost of sales	10	(5)	5
Adjusted selling, general and administration	12	(5)	7
Adjusted research and development	14	(1)	13
Adjusted operating profit	–	(3)	(3)
Consumer Healthcare			
Turnover	17	(15)	2
Wellness sales	14	(14)	–
Nutrition sales	81	(81)	–
Skin health sales	7	(12)	(5)
Operating profit	22	(18)	4

The 2018 pro-forma financial information used as the basis for the pro-forma growth rates has been calculated as follows:

	GSK reported results 2018 £bn	August to December 2018 results of Pfizer consumer healthcare business £bn	Pro-forma results 2018 £bn
Group			
Turnover	30.8	1.2	32.0
Adjusted cost of sales	(9.2)	(0.4)	(9.6)
Adjusted selling, general and administration	(9.5)	(0.4)	(9.9)
Adjusted research and development	(3.7)	(0.1)	(3.8)
Adjusted operating profit	8.7	0.3	9.0
Consumer Healthcare			
Turnover	7.7	1.1	8.8
Wellness sales	4.0	0.5	4.5
Nutrition sales	0.6	0.5	1.1
Skin health sales	0.6	0.1	0.7
Operating profit	1.5	0.3	1.8

Group financial review continued

Cash generation and conversion

A summary of the consolidated cash flow statement is set out below.

	2019 £m	2018 £m
Net cash inflow from operating activities	8,020	8,421
Net cash outflow from investing activities	(5,354)	(1,553)
Net cash outflow from financing activities	(1,840)	(6,389)
Increase/(decrease) in cash and bank overdrafts	826	479
Cash and bank overdrafts at beginning of year	4,087	3,600
Increase in cash and bank overdrafts	826	479
Exchange adjustments	(82)	8
Cash and bank overdrafts at end of year	4,831	4,087
Cash and bank overdrafts at end of year comprise:		
Cash and cash equivalents	4,707	3,874
Cash and cash equivalents reported in assets held for sale	507	485
Overdrafts	(383)	(272)
	4,831	4,087

Capital expenditure and financial investment

Cash payments for tangible and intangible fixed assets amounted to £2,163 million (2018 – £1,796 million) and disposals realised £603 million (2018 – £453 million). Cash payments to acquire equity investments amounted to £258 million (2018 – £309 million), primarily relating to Lyell Immunopharma, and sales of equity investments realised £69 million (2018 – £151 million).

Free cash flow

Free cash flow is the amount of cash generated by the Group after meeting our obligations for contingent consideration, interest, tax and dividends paid to non-controlling interests, and after capital expenditure on property, plant and equipment and intangible assets.

	2019 £m	2018 £m
Free cash inflow	5,073	5,692

The reduction in free cash flow primarily reflected the adverse timing of payments for returns and rebates, as well as the initial step-down impact from US Advair generic competition, increased capital expenditure including the acquisition of intangible assets, higher restructuring payments and higher significant legal costs. This was partly offset by improved operating profits including currency benefits, a reduction in inventory and a lower increase in trade receivables, lower contingent consideration payments compared with 2018, which included a milestone payment to Novartis, lower dividend payments to non-controlling interests and the reclassification of lease payments from operating to financing activities following the transition to IFRS 16.

Total cash payments to Shionogi in relation to the ViiV Healthcare contingent consideration liability in the year were £865 million (2018 – £793 million), of which £767 million was recognised in cash flows from operating activities and £98 million was recognised in contingent consideration paid within investing cash flows. These payments are deductible for tax purposes.

Reconciliation of net cash inflow from operating activities to free cash flow

A reconciliation of net cash inflow from operating activities, which is the closest equivalent IFRS measure to free cash flow, is shown below.

	2019 £m	2018 £m
Net cash inflow from operating activities	8,020	8,421
Purchase of property, plant and equipment	(1,265)	(1,344)
Purchase of intangible assets	(898)	(452)
Proceeds from sale of property, plant and equipment	95	168
Proceeds from disposal of intangible assets	404	256
Interest paid	(895)	(766)
Interest received	82	72
Dividends from associates and joint ventures	7	39
Contingent consideration paid (reported in investing activities)	(113)	(153)
Contribution from non-controlling interests	–	21
Distributions to non-controlling interests	(364)	(570)
Free cash flow	5,073	5,692

Future cash flow

Over the long term, we expect that future cash generated from operations will be sufficient to fund our operating and debt servicing costs, normal levels of capital expenditure, obligations under existing licensing agreements, expenditure arising from restructuring programmes and other routine outflows including tax, pension contributions and dividends, subject to the 'Principal risks and uncertainties' discussed on pages 275 to 287. We may from time to time have additional demands for finance, such as for acquisitions, including potentially acquiring increased ownership interests in the ViiV Healthcare business where minority shareholders hold put options. We have access to multiple sources of liquidity from short and long-term capital markets and financial institutions for such needs, in addition to the cash flow from operations.

Investment appraisal and capital allocation

We have a strong framework for capital allocation, including a board to govern the allocation of capital between our businesses. We utilise a consistent cash return on invested capital (CROIC) methodology to prioritise investment across the Group as a whole, so that we can more effectively compare the returns from each of the businesses as we allocate capital between them. We also consider the impact on EPS and our credit profile where relevant.

Financial position and resources

	2019 £m	2018 £m
Assets		
Non-current assets		
Property, plant and equipment	**10,348**	11,058
Right of use assets	**966**	–
Goodwill	**10,562**	5,789
Other intangible assets	**30,955**	17,202
Investments in associates and joint ventures	**314**	236
Other investments	**1,837**	1,322
Deferred tax assets	**4,096**	3,887
Derivative financial instruments	**103**	69
Other non-current assets	**1,020**	1,576
Total non-current assets	**60,201**	41,139
Current assets		
Inventories	**5,947**	5,476
Current tax recoverable	**262**	229
Trade and other receivables	**7,202**	6,423
Derivative financial instruments	**421**	188
Liquid investments	**79**	84
Cash and cash equivalents	**4,707**	3,874
Assets held for sale	**873**	653
Total current assets	**19,491**	16,927
Total assets	**79,692**	58,066
Liabilities		
Current liabilities		
Short-term borrowings	**(6,918)**	(5,793)
Contingent consideration liabilities	**(755)**	(837)
Trade and other payables	**(14,939)**	(14,037)
Derivative financial instruments	**(188)**	(127)
Current tax payable	**(629)**	(965)
Short-term provisions	**(621)**	(732)
Total current liabilities	**(24,050)**	(22,491)
Non-current liabilities		
Long-term borrowings	**(23,590)**	(20,271)
Corporation tax payable	**(189)**	(272)
Deferred tax liabilities	**(3,810)**	(1,156)
Pensions and other post-employment benefits	**(3,457)**	(3,125)
Other provisions	**(670)**	(691)
Derivative financial instruments	**(1)**	(1)
Contingent consideration liabilities	**(4,724)**	(5,449)
Other non-current liabilities	**(844)**	(938)
Total non-current liabilities	**(37,285)**	(31,903)
Total liabilities	**(61,335)**	(54,394)
Net assets	**18,357**	3,672
Total equity	**18,357**	3,672

Acquisition of Pfizer consumer healthcare business

As the acquisition of the Pfizer consumer healthcare business was a non-cash transaction, it resulted in an increase in net assets of £15.0 billion, including intangible assets of £12.4 billion and goodwill of £3.9 billion. This reflected the recognition of Pfizer's non-controlling interest in the Consumer Healthcare Joint Venture of £6.9 billion and a gain in retained earnings of £8.1 billion representing the difference between fair value and book value of the 32% of GSK's Consumer Healthcare business transferred to Pfizer.

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption to production and to ensure compliance with regulatory standards. A number of our processes use hazardous materials.

The total cost of our property, plant and equipment at 31 December 2019 was £21,599 million, with a net book value of £10,348 million. Of this, land and buildings represented £4,037 million, plant and equipment £4,425 million and assets in construction £1,886 million. In 2019, we invested £1,640 million in new property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites to support new product development and launches as well as to improve the efficiency of existing supply chains. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2019, we had contractual commitments for future capital expenditure of £413 million. We believe that our property and plant facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under 'Environment' on page 41 and in Note 46 to the financial statements, 'Legal proceedings'.

Right of use assets

Right of use assets amounted to £966 million at 31 December 2019 compared with £1,071 million on 1 January 2019, following the implementation of IFRS 16. The decrease in the year reflected the impact of depreciation and disposals of £214 million and £64 million respectively, partly offset by additions, including from business combinations, of £211 million.

Goodwill

Goodwill increased to £10,562 million at 31 December 2019, from £5,789 million, primarily reflecting additions of £3,854 million arising from the acquisition of the Pfizer consumer healthcare business and £1,169 million from the acquisition of Tesaro, Inc.

Group financial review continued

Financial position and resources continued

Other intangible assets
Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2019 was £30,955 million (2018 – £17,202 million). The increase primarily reflected additions of £12,357 million from the acquisition of the Pfizer consumer healthcare business and £3,092 million from the acquisition of Tesaro, Inc.

Investments in associates and joint ventures
We held investments in associates and joint ventures with a carrying value at 31 December 2019 of £314 million (2018 – £236 million). The market value at 31 December 2019 was £396 million (2018 – £487 million). The largest of these investments was in Innoviva Inc., which had a book value at 31 December 2019 of £261 million (2018 – £189 million) and a market value of £343 million. See Note 21 to the financial statements, 'Investments in associates and joint ventures'.

Other investments
We held other investments with a carrying value at 31 December 2019 of £1,837 million (2018 – £1,322 million). The highest value investments held at 31 December 2019 were in 23andMe, which had a book value at 31 December 2019 of £227 million (2018 – £229 million), Progyny, Inc, which had a book value of £213 million (2018 – £21 million) and Theravance Biopharma, Inc., which had a book value at 31 December 2019 of £189 million (2018 – £194 million). The other investments included equity stakes in companies with which we have research collaborations, and which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets
We had current derivative financial assets held at fair value of £421 million (2018 – £188 million) and non-current derivative financial assets held at fair value of £103 million (2018 – £69 million). £240 million of current derivative financial assets related to a derivative embedded in the agreement to divest *Horlicks* and other nutritional brands to Unilever plc. See Note 40 for further information. The majority of the remainder of these financial instruments related to foreign exchange contracts both designated and not designated as accounting hedges.

Inventories
Inventory of £5,947 million increased from £5,476 million in 2018 primarily reflecting the higher inventory in Consumer Healthcare following the Pfizer acquisition in the year, partly offset by the impact of exchange movements.

Trade and other receivables
Trade and other receivables of £7,202 million increased from £6,423 million in 2018, primarily reflecting the impact of higher sales, particularly in Vaccines, partly offset by better collections and exchange movements.

Deferred tax assets
Deferred tax assets amounted to £4,096 million (2018 – £3,887 million) at 31 December 2019.

Derivative financial instruments: liabilities
We held current and non-current derivative financial liabilities at fair value of £189 million (2018 – £128 million). This primarily related to foreign exchange contracts both designated and not designated as accounting hedges.

Trade and other payables
At 31 December 2019, trade and other payables were £14,939 million compared with £14,037 million at 31 December 2018. The increase primarily reflected higher payables in Consumer Healthcare following the Pfizer acquisition in the year, partly offset by exchange movements.

Provisions
We carried deferred tax provisions and other short-term and non-current provisions of £5,101 million at 31 December 2019 (2018 – £2,579 million). Other provisions at the year-end included £198 million (2018 – £219 million) related to legal and other disputes and £505 million (2018 – £641 million) related to Major restructuring programmes. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of the restructuring programme to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits
We account for pension and other post-employment arrangements in accordance with IAS 19. The net deficits were £1,921 million (2018 – £995 million) on pension arrangements and £1,418 million (2018 – £1,379 million) on unfunded post-employment liabilities. See Note 30 to the financial statements, 'Pensions and other post-employment benefits'.

Other non-current liabilities
Other non-current liabilities amounted to £844 million at 31 December 2019 (2018 – £938 million).

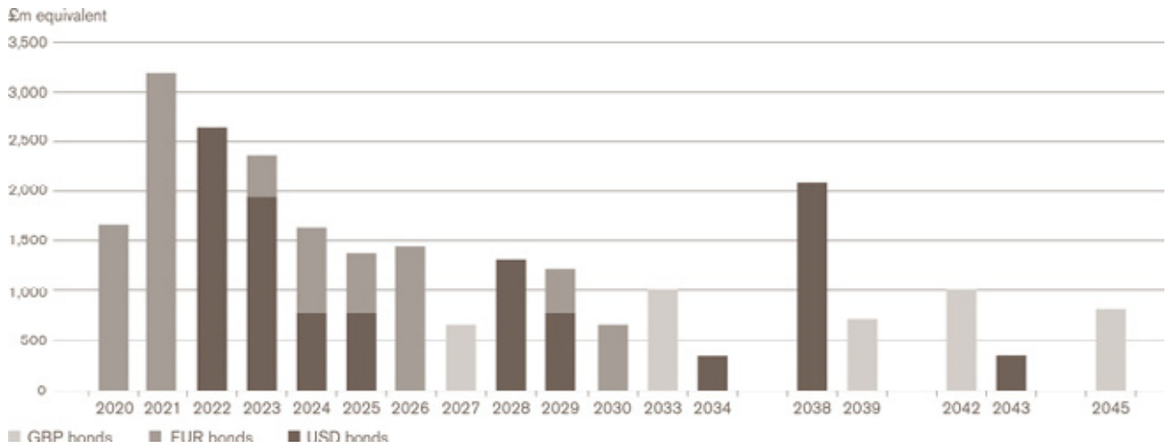
Contingent consideration liabilities
Contingent consideration amounted to £5,479 million at 31 December 2019 (2018 – £6,286 million), of which £5,103 million (2018 – £5,937 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £339 million (2018 – £296 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition.

The liability due to Shionogi included £222 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 December 2019 was £4 million (2018 – £15 million). An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 51.

Of the contingent consideration payable (on a post-tax basis) at 31 December 2019, £755 million (2018 – £837 million) is expected to be paid within one year. The consideration payable is expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, on a post-tax basis using post-tax discount rates. The Shionogi-ViiV Healthcare contingent consideration liability is discounted at 8.5% and the Novartis Vaccines contingent consideration liability is discounted partly at 8% and partly at 9%.

Financial position and resources continued

Maturity profile of bond debt



Net debt

	2019 £m	2018 £m
Cash, cash equivalents and liquid investments	**4,786**	3,958
Cash, cash equivalents reported in assets held for sale	**507**	485
Borrowings – repayable within one year	**(6,918)**	(5,793)
Borrowings – repayable after one year	**(23,590)**	(20,271)
Net debt	**(25,215)**	(21,621)

At 31 December 2019, net debt was £25.2 billion, compared with £21.6 billion at 31 December 2018. This comprised gross debt of £30.5 billion and cash and liquid investments of £5.3 billion, including £0.5 billion reported within Assets held for sale. Net debt increased due to the £3.9 billion acquisition of Tesaro Inc as well as £0.2 billion of Tesaro net debt, together with the £1.3 billion impact from the implementation of IFRS 16, the dividend paid to shareholders of £4.0 billion and other net investing activities of £0.1 billion, partly offset by £0.7 billion net favourable exchange impacts from the translation of non-Sterling denominated debt and exchange on other financing items and £5.1 billion of free cash flow.

At 31 December 2019, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £6.9 billion, with loans of £3.2 billion repayable in the subsequent year.

At 31 December 2019, GSK's cash and liquid investments were held as follows:

	2019 £m	2018 £m
Bank balances and deposits	**2,565**	1,853
Bank balances and deposits reported in assets held for sale	**507**	485
US Treasury and Treasury repo only money market funds	**102**	449
Liquidity funds	**2,040**	1,572
Cash and cash equivalents	**5,214**	4,359
Liquid investments – Government securities	**79**	84
	5,293	4,443

Cash and liquid investments of £3.6 billion (2018 – £2.9 billion) were held centrally at 31 December 2019.

The analysis of cash and gross debt after the effects of hedging is as follows.

	2019 £m	2018 £m
Cash and liquid investments	**5,293**	4,443
Gross debt – fixed[1]	**(25,064)**	(21,603)
– floating	**(5,444)**	(4,432)
– non-interest bearing	**–**	(29)
Net debt	**(25,215)**	(21,621)

[1] Includes £2.1 billion equivalent of notes swapped from floating to fixed rates via interest rate swaps.

Movements in net debt

	2019 £m	2018 £m
Net debt at beginning of year	**(21,621)**	(13,178)
Implementation of IFRS 16	**(1,303)**	–
Net debt at beginning of year, as adjusted	**(22,924)**	(13,178)
Increase in cash and bank overdrafts	**826**	479
Decrease in liquid investments	**(1)**	–
Increase in long-term loans	**(4,794)**	(10,138)
Net repayment of short-term loans	**1,065**	1,986
Repayment of lease liabilities	**214**	28
Debt of subsidiary undertakings acquired	**(524)**	–
Exchange movements	**1,015**	(776)
Other movements	**(92)**	(22)
Net debt at end of year	**(25,215)**	(21,621)

Group financial review continued

Financial position and resources continued

Interest rate benchmark reform

'Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7' was issued by the IASB in September 2019. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

At 31 December 2019, the Group was not directly exposed to interest rate benchmark reform as it held no interest rate derivatives that referenced LIBOR and matured after the end of 2021 and all floating rate bonds were due to mature before the end of 2021.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators, including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission, regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and EURIBOR) to the Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Euro Short-Term Rate (€STR) respectively. The FCA has made it clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

The Group is undertaking an interest rate benchmark transition programme to identify potential exposures within the business and deliver a smooth transition to appropriate alternative benchmark rates.

Total equity

At 31 December 2019, total equity had increased from £3,672 million at 31 December 2018 to £18,357 million.

A summary of the movements in equity is set out below.

	2019 £m	2018 £m
Total equity at beginning of year	**3,672**	3,489
Implementation of IFRS 15		(4)
Implementation of IFRS 9		(11)
Implementation of IFRS 16	**(93)**	
Total equity at beginning of year, as adjusted	**3,579**	3,474
Total comprehensive income for the year	**3,701**	4,300
Dividends to shareholders	**(3,953)**	(3,927)
Recognition of interest in Consumer Healthcare Joint Venture	**14,969**	–
Ordinary shares issued	**51**	74
Changes in non-controlling interests	**(10)**	–
De-recognition of liabilities with non-controlling interests	**–**	(62)
Share-based incentive plans	**365**	360
Tax on share-based incentive plans	**19**	2
Contributions from non-controlling interests	**–**	21
Distributions to non-controlling interests	**(364)**	(570)
Total equity at end of year	**18,357**	3,672

Share purchases

No shares were repurchased by the company during 2019. At 31 December 2019, GSK held 393.5 million shares as Treasury shares (2018 – 414.6 million shares), at a cost of £5,505 million (2018 – £5,800 million), which has been deducted from retained earnings.

No ordinary shares were purchased in the period 1 January 2020 to 24 February 2020 and the company does not expect to make any ordinary share repurchases in the remainder of 2020.

In 2019, 21.1 million Treasury shares were transferred to the Employee Share Ownership Plan (ESOP) Trusts. Shares are held by the Trusts to satisfy future exercises of options and awards under the Group share option and award schemes. A proportion of the shares held by the Trusts are in respect of awards where the rules of the scheme require us to satisfy exercises through market purchases rather than the issue of new shares. The shares held by the Trusts are matched to options and awards granted.

At 31 December 2019, the ESOP Trusts held 36.4 million (2018 – 41.5 million) GSK shares against the future exercise of share options and share awards. The carrying value of £135 million (2018 – £161 million) has been deducted from other reserves. The market value of these shares was £647 million (2018 – £619 million).

Financial position and resources continued

Contractual obligations and commitments

Financial commitments are summarised in Note 35 to the financial statements, 'Commitments'.

The following table sets out our contractual obligations and commitments at 31 December 2019 as they fall due for payment.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Loans	29,408	6,678	5,883	3,925	12,922
Interest on loans	8,952	780	1,409	1,159	5,604
Finance lease obligations	1,250	240	346	198	466
Future finance charges	223	41	66	42	74
Intangible assets	9,727	578	607	1,502	7,040
Property, plant & equipment	413	378	35	–	–
Investments	47	24	23	–	–
Purchase commitments	1,047	925	121	1	–
Pensions	163	75	88	–	–
Total	51,230	9,719	8,578	6,827	26,106

Commitments in respect of loans and future interest payable on loans are disclosed before taking into account the effect of derivatives.

We have entered into a number of research collaborations to develop new compounds with other pharmaceutical companies. The terms of these arrangements can include upfront fees, equity investments, loans and commitments to fund specified levels of research. In addition, we will often agree to make further payments if future 'milestones' are achieved.

As some of these agreements relate to compounds in the early stages of development, the potential obligation to make milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally, the closer the product is to marketing approval, the greater the probability of success. The amounts shown above within intangible assets represent the maximum that would be paid if all milestones were achieved, and include £4.9 billion which relates to externalised projects in the discovery portfolio. There was an increase in the commitments in 2019 as a result of a number of new R&D collaborations, including with Merck KgaA and Lyell Immunopharma.

In 2018, we reached an agreement with the trustees of the UK pension schemes to make additional contributions, to assist in eliminating the pension deficit identified as part of the 31 December 2017 actuarial funding valuation. The table above includes this commitment but excludes the normal ongoing annual funding requirement in the UK of approximately £130 million. For further information on pension obligations, see Note 30 to the financial statements, 'Pensions and other post-employment benefits'.

Contingent liabilities

Other contingent liabilities are set out in Note 34 to the financial statements, 'Contingent liabilities'.

The following table sets out contingent liabilities, comprising discounted bills, performance guarantees, letters of credit and other items arising in the normal course of business, and when they are expected to expire.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Guarantees	32	4	11	3	14
Other contingent liabilities	65	10	17	8	30
Total	97	14	28	11	44

In the normal course of business, we have provided various indemnification guarantees in respect of business disposals in which legal and other disputes have subsequently arisen. A provision is made where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute and this is included in Note 31 to the financial statements, 'Other provisions'.

We provide for the outcome of tax, legal and other disputes when an outflow of resources is considered probable and a reliable estimate of the outflow may be made. At 31 December 2019, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote.

The ultimate liability for such matters may vary significantly from the amounts provided and is dependent upon negotiations with the relevant tax authorities and the outcome of litigation proceedings, where relevant. This is discussed further in 'Principal risks and uncertainties' on pages 275 to 287 and Note 46 to the financial statements, 'Legal proceedings'.

Treasury policies

We report in Sterling and pay dividends out of Sterling cash flows. The role of Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks in support of our strategic objectives. GSK operates on a global basis, primarily through subsidiary companies, and we manage our capital to ensure that our subsidiaries are able to operate as going concerns and to optimise returns to shareholders through an appropriate balance of debt and equity. Treasury activities are governed by policies approved annually by the Board of Directors, and most recently on 16 October 2019. A Treasury Management Group (TMG) meeting, chaired by our Chief Financial Officer, takes place on a regular basis to review Treasury activities. Its members receive management information relating to these activities.

Treasury operations

The objective of GSK's Treasury activities is to minimise the post-tax net cost of financial operations and reduce its volatility in order to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes, as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

GSK's financial strategy, implemented through the Group's financial architecture, supports GSK's strategic priorities and is regularly reviewed by the Board. We manage the capital structure of the Group through an appropriate mix of debt and equity. We continue to manage our financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets.

GSK's long-term credit rating with Standard and Poor's is A+ (negative outlook) and with Moody's Investor Services ('Moody's') is A2 (negative outlook). Our short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. Our cash flow forecasts and funding requirements are monitored by the TMG on a regular basis. Our strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

Each day, we sweep cash from a number of global subsidiaries to central Treasury accounts for liquidity management purposes.

Interest rate risk management

GSK's objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

Foreign exchange risk management

Our objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. Foreign currency transaction exposures arising on external and internal trade flows are selectively hedged. GSK's internal trading transactions are matched centrally and we manage inter-company payment terms to reduce foreign currency risk. Where possible, we manage the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, we seek to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars, Euros and Sterling. Borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas Group assets. The TMG reviews the ratio of borrowings to assets for major currencies regularly.

Counterparty risk management

We set global counterparty limits for each of our banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Treasury's usage of these limits is monitored daily by a Treasury Compliance Officer (TCO) who operates independently of Treasury. Any breach of these limits would be reported to the CFO immediately.

The TCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies Treasury so that changes can be made to investment levels or to authority limits as appropriate. In addition, relationship banks and their credit ratings are reviewed regularly and a report is presented annually to the TMG for approval.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS, as adopted for use in the European Union, and also with IFRS as issued by the International Accounting Standards Board (IASB), following the accounting policies approved by the Board and described in Note 2 to the financial statements, 'Accounting principles and policies'.

We are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

The critical accounting policies relate to the following areas:

- Turnover
- Taxation (Note 14)
- Legal and other disputes (Notes 31 and 46)
- Contingent consideration and put option liabilities (Notes 28 and 32)
- Pensions and other post-employment benefits (Note 30).

Information on the judgements and estimates made in these areas is given in Note 3 to the financial statements, 'Key accounting judgements and estimates'.

Turnover

In respect of the Turnover accounting policy, our largest business is US Pharmaceuticals, and the US market has the most complex arrangements for rebates, discounts and allowances. The following briefly describes the nature of the arrangements in existence in our US Pharmaceuticals business:

- We have arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Accruals for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates
- Customer rebates are offered to key managed care and Group Purchasing Organisations and other direct and indirect customers. These arrangements require the customer to achieve certain performance targets relating to the value of product purchased, formulary status or pre-determined market shares relative to competitors. The accrual for customer rebates is estimated based on the specific terms in each agreement, historical experience and product growth rates
- The US Medicaid programme is a state-administered programme providing assistance to certain poor and vulnerable patients. In 1990, the Medicaid Drug Rebate Program was established to reduce State and Federal expenditure on prescription drugs. In 2010, the Patient Protection and Affordable Care Act became law. We participate by providing rebates to states. Accruals for Medicaid rebates are calculated based on the specific terms of the relevant regulations or the Patient Protection and Affordable Care Act
- Cash discounts are offered to customers to encourage prompt payment. These are accrued for at the time of invoicing and adjusted subsequently to reflect actual experience
- We record an accrual for estimated sales returns by applying historical experience of customer returns to the amounts invoiced, together with market-related information such as stock levels at wholesalers, anticipated price increases and competitor activity.

A reconciliation of gross turnover to net turnover for the US Pharmaceuticals business is as follows:

	2019		2018		2017	
	£m	**Margin %**	£m	Margin %	£m	Margin %
Gross turnover	**18,471**	**100**	18,227	100	16,365	100
Market-driven segments	**(5,976)**	**(32)**	(5,147)	(28)	(4,040)	(25)
Government mandated and state programmes	**(4,264)**	**(23)**	(4,594)	(25)	(3,933)	(24)
Cash discounts	**(356)**	**(2)**	(361)	(2)	(330)	(2)
Customer returns	**(141)**	**(1)**	(98)	(1)	(97)	(1)
Prior year adjustments	**247**	**1**	98	1	86	1
Other prior year items	**–**	**–**	(59)	–	(23)	–
Other items	**(579)**	**(3)**	(613)	(4)	(460)	(3)
Total deductions	**(11,069)**	**(60)**	(10,774)	(59)	(8,797)	(54)
Net turnover	**7,402**	**40**	7,453	41	7,568	46

Market-driven segments consist primarily of Managed Care and Medicare plans with which we negotiate contract pricing that is honoured via rebates and chargebacks. Mandated segments consist primarily of Medicaid and Federal Government programmes which receive government-mandated pricing via rebates and chargebacks.

Group financial review continued

Critical accounting policies continued

The increased deductions in the market-driven segments of the gross turnover to net turnover reconciliation primarily reflected higher rebates and chargebacks on respiratory products, and on *Advair* in particular. A generic version of *Advair* was launched in February 2019, and during the year *Advair* accounted for 7% of US Pharmaceuticals turnover and approximately 27% of the total deduction for rebates and returns. The respiratory portfolio as a whole, including Established Respiratory products, accounted for approximately 79% of the total deduction in the year.

The balance sheet accruals for rebates, discounts, allowances and returns for the US Pharmaceuticals and Vaccines businesses are managed on a combined basis. At 31 December 2019, the total accrual amounted to £4,200 million (2018 – £4,356 million).

A monthly process is operated to monitor inventory levels at wholesalers for any abnormal movements. This process uses gross sales volumes, prescription volumes based on third party data sources and information received from key wholesalers. The aim of this is to maintain inventories at a consistent level from year to year based on the pattern of consumption.

On this basis, US Pharmaceuticals and Vaccines inventory levels at wholesalers and in other distribution channels at 31 December 2019 were estimated to amount to approximately four weeks of turnover. This calculation uses third party information, the accuracy of which cannot be totally verified, but is believed to be sufficiently reliable for this purpose.

Legal and other disputes

In respect of the accounting policy for Legal and other disputes, the following briefly describes the process by which we determine the level of provision that is necessary.

In accordance with the requirements of IAS 37, 'Provisions, contingent liabilities and contingent assets', we provide for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group.

We may become involved in significant legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included in the Annual Report, but no provision would be made. This position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements.

Like many pharmaceutical companies, we are faced with various complex product liability, anti-trust and patent litigation, as well as investigations of our operations conducted by various governmental regulatory agencies. Throughout the year, the General Counsel of the Group, as head of the Group's legal function, and the Senior Vice President and Head of Global Litigation for the Group, who is responsible for all litigation and government investigations, routinely brief the Chief Executive Officer, the Chief Financial Officer and the Board of Directors on the significant litigation pending against the Group and governmental investigations of the Group.

These meetings, as appropriate, detail the status of significant litigation and government investigations and review matters such as the number of claims notified to us, information on potential claims not yet notified, assessment of the validity of claims, progress made in settling claims, recent settlement levels and potential reimbursement by insurers.

The meetings also include an assessment of whether or not there is sufficient information available for us to be able to make a reliable estimate of the potential outcomes of the disputes. Often, external counsel assisting us with various litigation matters and investigations will also assist in the briefing of the Board and senior management. Following these discussions, for those matters where it is possible to make a reliable estimate of the amount of a provision, if any, that may be required, the level of provision for legal and other disputes is reviewed and adjusted as appropriate. These matters are discussed further in Note 46 to the financial statements, 'Legal proceedings'.

Strategic report

The Strategic report was approved by the Board of Directors on
3 March 2020

Iain Mackay
Chief Financial Officer
3 March 2020

Corporate Governance

In this section

Chairman's Governance statement

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

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

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

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

Induction

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

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

Introductory meetings with investors

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

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

Board governance and architecture

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

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

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

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

Audit & Risk Committee (ARC)

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

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

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

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

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

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

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

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

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

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

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

I can confirm that during 2019 the company complied with the requirements of the 2018 Code. A copy of the 2018 Code can be found on www.frc.org.uk.

I commend this report to all our stakeholders.

Sir Jonathan Symonds
Chairman

3 March 2020

Our Board

Board governance and architecture

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

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

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

Preparation

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

Interviews

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

Review

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

2019 Board review feedback summary

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

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

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

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

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

Action points for 2020

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

Our Board continued

Board composition

Composition	
Executive	27%
Non-Executive	73%

Tenure Non-Executive	
Up to 3 years	36%
3-6 years	46%
7-9 years	18%

International experience

Global	91%
US	100%
Europe	91%
EMAP	82%

Gender diversity

Board	
Male	54.5%
Female	45.5%

Executive	
Male	66.7%
Female	33.3%

Non-Executive	
Male	37.5%
Female	62.5%

Sir Jonathan Symonds, CBE
Non-Executive Chairman

Age: 61
Nationality: British
Appointed: 1 September 2019

(N)

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

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

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

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

Emma Walmsley
Chief Executive Officer

Age: 50
Nationality: British
Appointed: 1 January 2017
Chief Executive Officer from 1 April 2017

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

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

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

Iain Mackay
Chief Financial Officer

Age: 58
Nationality: British
Appointed: 14 January 2019
Chief Financial Officer from 1 April 2019

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

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

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

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

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

Age: 57
Nationality: American
Appointed: 1 January 2018
Chief Scientific Officer and President, R&D from 1 April 2018

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

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

Manvinder Singh (Vindi) Banga
Senior Independent Non-Executive Director

Age: 65
Nationality: British
Appointed: 1 September 2015
Senior Independent Non-Executive Director from 5 May 2016

(N) (A) (R)

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

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

Dr Vivienne Cox, CBE
Independent Non-Executive Director & Workforce Engagement Director

Age: 60
Nationality: British
Appointed: 1 July 2016

(R) (C)

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

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

Lynn Elsenhans
Independent Non-Executive Director

Age: 63
Nationality: American
Appointed: 1 July 2012

(C) (N) (A)

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

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

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

Our Board continued

Dr Laurie Glimcher
Independent Non-Executive Director and Scientific & Medical Expert

Age: 68
Nationality: American
Appointed: 1 September 2017

(A) (S)

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

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

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

Dr Jesse Goodman
Independent Non-Executive Director and Scientific & Medical Expert

Age: 68
Nationality: American
Appointed: 1 January 2016

(S) (C)

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

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

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

Judy Lewent
Independent Non-Executive Director

Age: 71
Nationality: American
Appointed: 1 April 2011

(A) (N) (R) (S)

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

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

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

Urs Rohner
Independent Non-Executive Director

Age: 60
Nationality: Swiss
Appointed: 1 January 2015

(R) (N)

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

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

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

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

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

Our Corporate Executive Team

	Skills and experience
Dr Hal Barron Chief Scientific Officer and President, R&D	Hal joined GSK and the CET in 2018. See Board biographies on page 79 to 81.
Roger Connor President, Global Vaccines	Roger joined the CET in 2013. He was appointed President of GSK Global Vaccines in 2018. In addition to leadership of the Vaccines business, he is responsible for GSK's global procurement organisation. Previously, he was President, Global Manufacturing & Supply and, before that, Vice President, Office of the CEO and Corporate Strategy. Roger joined GSK in 1998 from AstraZeneca. Roger holds a degree in Mechanical and Manufacturing Engineering from Queen's University, Belfast and a Master's in Manufacturing Leadership from Cambridge University. He is a Chartered Accountant.
Diana Conrad Senior Vice President, Human Resources (HR)	Diana was appointed Senior Vice President, Human Resources (HR) and member of the CET in April 2019. She was previously Senior Vice President, HR, Pharmaceuticals R&D from 2016 where she played a key strategic role as leader of the R&D people and culture agenda to support its transformation. Diana joined GSK Canada's HR team in 2000 where she held several roles of increasing responsibility before becoming Senior Vice President, HR for Consumer Healthcare in 2009. Prior to joining GSK, she held HR roles in companies including GE Capital, Gennum Corporation and Zenon Environmental Laboratories. Diana has an Honours Bachelor of Arts from McMaster University in Canada.
James Ford Senior Vice President and General Counsel	James joined the CET in 2018, when he was appointed Senior Vice President and General Counsel. He joined GSK in 1995 and has served as General Counsel Consumer Healthcare, General Counsel Global Pharmaceuticals, Vice President of Corporate Legal and was Acting Head of Global Ethics and Compliance. Prior to GSK, James was a solicitor at Clifford Chance and DLA. He holds a law degree from University of East Anglia and a Diploma in Competition Law from Kings College. He is qualified as a solicitor in England and Wales and is an attorney at the New York State Bar. James is based in London but has practised law and lived in the US, Singapore and Hong Kong. James is co-chair of the US based Civil Justice Reform Group.
Nick Hirons Senior Vice President, Global Ethics and Compliance	Nick was appointed to the CET in 2014 as Senior Vice President, Global Ethics and Compliance, responsible for compliance, risk management, corporate security and investigations. Nick joined GSK in 1994 as an International Auditor. He was later Head of Audit & Assurance, where he combined five audit functions into an independent team with a common risk-based methodology. In 2013, Nick relocated to China to establish a governance model for our China business and created a consistent approach to compliance. Nick is a fellow of the Chartered Institute of Management Accountants.
Sally Jackson Senior Vice President, Global Communications and CEO Office	Sally joined the CET in March 2019 as Senior Vice President, Global Communications and CEO Office. She is responsible for communications and government affairs for our three global businesses and in the markets, as well as employee engagement across the Group. She is also the CEO's Chief of Staff. Prior to this Sally was Senior Vice President Office of the CEO and CFO and she previously served as Head of Investor Relations. She joined GSK in 2001. Sally holds a degree in Natural Sciences from the University of Cambridge.
Iain Mackay Chief Financial Officer	Iain joined GSK and the CET in 2019. See Board biographies on page 79 to 81.
Brian McNamara CEO, GSK Consumer Healthcare	Brian joined the CET in 2016, when he was appointed CEO, GSK Consumer Healthcare. He joined GSK in 2015 as Head of Europe and Americas for GSK Consumer Healthcare, following the creation of the previous Joint Venture between GSK and Novartis. Previously, he was head of Novartis' OTC division. Brian began his career at Procter and Gamble. Brian is a Board Member and former Chairman of the Global Self-Care Federation (GSCF) and is a Board Member of the Consumer Goods Forum. He earned an undergraduate degree in Electrical Engineering from Union College in New York and an MBA in Finance from the University of Cincinnati.

Our Corporate Executive Team continued

	Skills and experience
Luke Miels President, Global Pharmaceuticals	Luke joined GSK and the CET in 2017 as President, Global Pharmaceuticals, responsible for our commercial portfolio of medicines and vaccines. Luke also co-chairs the Portfolio Investment Board with Hal. He previously worked for AstraZeneca as Executive Vice President of their European business and, prior to that, was Executive Vice President of Global Product and Portfolio Strategy, Global Medical Affairs and Corporate Affairs. Before that, he was head of Asia for Roche based in Shanghai and then Singapore. Prior to that he held roles of increasing seniority at Roche and Sanofi-Aventis in the US, Europe and Asia. Luke holds a Bachelor of Science degree in Biology from Flinders University in Adelaide and an MBA from the Macquarie University, Sydney.
David Redfern Chief Strategy Officer	David joined the CET as Chief Strategy Officer in 2008 and is responsible for corporate development and strategic planning. Previously, he was Senior Vice President, Northern Europe with responsibility for GSK's pharmaceutical businesses in that region and, before that, he was Senior Vice President for Central and Eastern Europe. He joined GSK in 1994. David was appointed Chairman of the Board of ViiV Healthcare Limited in 2011 and a Non-Executive Director of the Aspen Pharmacare Holdings Limited Board in 2015. He has a Bachelor of Science degree from Bristol University and is a Chartered Accountant.
Regis Simard President, Pharmaceuticals Supply Chain	Regis joined the CET in 2018, when he became President, Pharmaceuticals Supply Chain. He is responsible for the manufacturing and supply of GSK's pharmaceutical products. He also leads Quality and Environment, Health, Safety and Sustainability at a corporate level. Regis joined GSK in 2005 as a Site Director in France, rising to become Senior Vice President of Global Pharmaceuticals Manufacturing before his current role. Previously, he held senior positions at Sony, Konica Minolta and Tyco Healthcare. He is a member of the Board for ViiV Healthcare. He is a mechanical engineer and holds an MBA.
Karenann Terrell Chief Digital & Technology Officer	Karenann joined GSK and the CET in 2017 as Chief Digital & Technology Officer, responsible for our technology, digital, data and analytics strategy. Previously, she worked for Walmart as Chief Information Officer. Prior to this, she was at Baxter International, where she was Chief Information Officer, and before that Daimler Chrysler Corporation. Karenann began her career at General Motors. She is a member of the board of trustees for the New York Hall of Science and in 2017 she became a Non-Executive Director of Pluralsight LLC. She earned graduate and post-graduate degrees in Electrical Engineering from Kettering and Purdue Universities respectively.
Phil Thomson President, Global Affairs	Phil joined the CET in 2011. He was appointed President, Global Affairs in 2017, with responsibility for the Group's strategic approach to reputation, policy development, stakeholder engagement, and Global Health. Previously, Phil was Senior Vice President, Communications and Government Affairs. Phil is Chairman of The Whitehall & Industry Group and a Board Member of the China–Britain Business Council. He earned his degree in English, History and Russian Studies from Durham University.
Emma Walmsley Chief Executive Officer	Emma joined the CET in 2011. See Board biographies on page 79 to 81.
Deborah Waterhouse CEO, ViiV Healthcare	Deborah was appointed to the CET in January 2020. She became Chief Executive Officer of ViiV Healthcare in April 2017. Deborah joined GSK in 1996 and was most recently the Senior Vice President of Primary Care within the company's US business, prior to which she led the US Vaccines business. She has a strong track record of performance in both specialty and primary care. Deborah led the HIV business in the UK before heading the HIV Centre of Excellence for Pharma Europe and held international roles as General Manager of Australia and New Zealand and Senior Vice President for Central and Eastern Europe.

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

Responsible leadership

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

Our purpose, values and culture

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

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

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

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

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

– Appoint and promote the right people
– Leadership capability
– Employee engagement and
– Ways of working.

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

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

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

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

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

Our stakeholders

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

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

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

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

Responsible leadership continued

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

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

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

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

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

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

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

Shareholder engagement

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

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

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

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

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

Annual Governance Meeting

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

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

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

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

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

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

Annual General Meeting

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

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

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

Workforce engagement

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

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

Workforce Engagement Director

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

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

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

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

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

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

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

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

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

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

Dr Vivienne Cox
Non-Executive Director

Responsible leadership continued

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

Decisions	How Board/Committee has had regard to stakeholder interests	Stakeholder groups and other section 172 duties considered	Principal decision made by the Board and Board Committees
Sales force incentive (SFI) programme	The Audit & Risk Committee considered and recommended to the Board changes to our SFI programme in certain countries to reflect the growing shift in GSK's portfolio to certain innovative Specialty Care products, including oncology. In particular, it examined the value of these changes as a means of: – attracting and retaining the best sales force talent; – enhancing the quality of our dialogue with healthcare professionals (HCP); and – helping the company to better serve patients. The Committee also stipulated the implementation of robust governance arrangements to underpin these changes that uphold our ethical and values-led approach to HCP engagement.	**Stakeholders:** HCPs and medical experts, employees, investors, governments and regulators, patients and consumers **Other s172 duties:** Long-term results, our workforce, business relationships and reputation	The Committee recommend the implementation of these limited SFI programme changes to the Board for approval. To safeguard key stakeholder interests, the new SFI programme is being implemented in controlled phases across markets. A review of the robustness of the programme's governance arrangements will be presented to the Committee later in the year. Further details are available on page 97.
Business development and collaborations	The Science Committee and the Board has reviewed several business development deals and collaborations during the year. These have included the collaborations with Lyell Immunopharma and The University of California, to help GSK obtain competitive advantage, by adding pipeline optionality and enabling us to gain access to key technologies. These arrangements were considered in the context of their promise to help GSK deliver transformational medicines to patients and the capabilities and talent being made available to the company.	**Stakeholders:** Patients and consumers, employees and investors **Other s172 duties:** Long-term results, the workforce and our business relationships	The Science Committee recommended these collaborations from a scientific perspective prior to the Board approving them.
ESG Insights	The Corporate Responsibility Committee received and considered a perception study with investors specifically interested in the ESG aspects of our activities, to better understand the rapid rise in interest by investors in this area and their chief concerns. The Committee noted and discussed investors' desire to see sustained delivery of our Trust commitments and increased reporting aligned to both the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD).	**Stakeholders:** Investors, governments and regulators, non-governmental organisations and multilateral organisations **Other s172 duties:** Long-term results, our business relationships, the community and our environment and reputation	The Committee decided to include SASB disclosures in the company's 2019 ESG Performance Summary available on GSK.com, and make its first voluntary TCFD disclosure in the Annual Report (see page 46). The Committee raised with the Remuneration Committee Chair and the Remuneration Committee the increasing importance of demonstrating the link between ESG performance and our remuneration outcomes for Executive Directors and the CET. The Remuneration Committee noted the importance of stressing the link between ESG and the delivery of GSK's bonus awards for the Executive Directors. It was agreed that, in devising the new remuneration arrangements for the two businesses post separation, it would look more holistically at how it could highlight further and incentivise the importance of ESG to the success of the business and to minimise its impact on the environment.

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

Responsible leadership continued

2019 Board programme

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

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

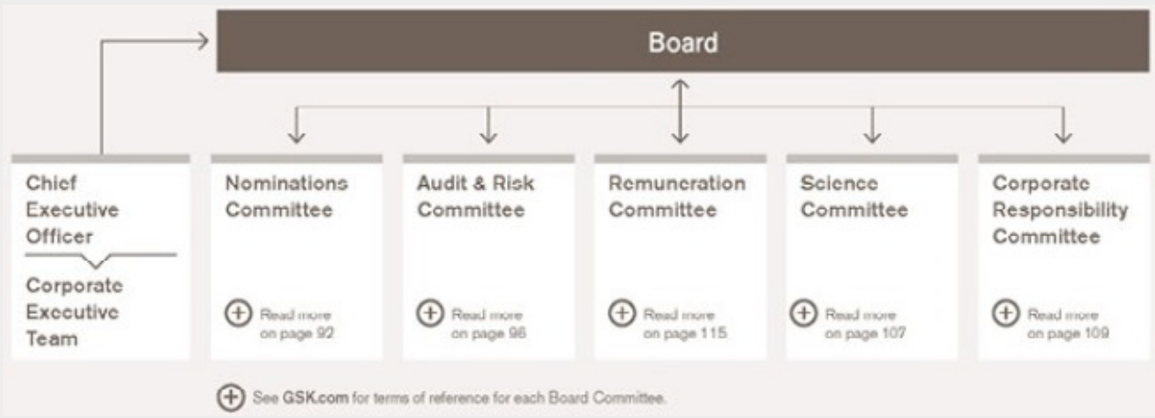
Link to long-term priorities Innovation (I) Performance (P) Trust (T) Culture (C)

Division of responsibilities

Corporate governance framework

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

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



Scheduled Board and Committee attendance during 2019

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

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

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

Division of responsibilities continued

Clear division of Board roles and responsibilities

Leadership

Chairman

Jonathan Symonds

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

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

Chief Executive Officer

Emma Walmsley

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

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

Independent oversight and rigorous challenge

Non-Executive Directors

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

Independence statement

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

Senior Independent Director

Vindi Banga

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

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

Company Secretary

Victoria Whyte

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

Composition, succession and evaluation

Nominations Committee report

Jonathan Symonds
Nominations Committee Chair

Role

The Committee reviews and recommends to the Board:

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

Membership

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

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

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

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

Advisory services

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

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

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

Board changes

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

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

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

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

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

Composition, succession and evaluation continued

Nominations Committee report continued

CET succession

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

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

Board composition, tenure and diversity

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

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

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

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

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

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

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

2019 Report Female Representation Metrics		Female Representation as at 30 June 2019 Board	(2018)	Combined	(2018)
2020 FTSE 100 target		**33.0%**		**33.0%**	
GSK		**45.5%**	**(45.5%)**	**38.1%**	**(32.5%)**
FTSE 100	average	32.4%	(30.2%)	28.6%	(27.0%)
	highest	50.0%	(50.0%)	61.3%	(47.0%)

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

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

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

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

Committee evaluation

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

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

Sir Jonathan Symonds
Nominations Committee Chair

3 March 2020

Chairman succession report

Chairman succession

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

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

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

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

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

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

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

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

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

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

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

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

Vindi Banga
Senior Independent Director

Composition, succession and evaluation continued

External evaluation of the Board

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

Progress on 2018 Board evaluation

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

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

Audit, risk and internal control

Audit & Risk Committee report

Judy Lewent
Audit & Risk Committee Chair

Role

The Committee reviews and is responsible for:

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

Membership

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

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

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

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

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

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

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

Financial reporting

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

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

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

Audit reform and our external auditors

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

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

Audit, risk and internal control continued

Audit & Risk Committee report continued

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

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

Business development transactions

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

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

HCP and SFI changes

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

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

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

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

Internal framework for control and risk management developments

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

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

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

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

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

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

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

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

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

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

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

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

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

Monitoring and compliance activities

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

Audit, risk and internal control continued

Audit & Risk Committee report continued

GSK Values & Expectations

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

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

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

Monitoring of technology and InfoProtect

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

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

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

Committee evaluation

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

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

Audit & Risk Committee Chair succession

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

Judy Lewent
Audit & Risk Committee Chair

3 March 2020

What the Committee did during 2019

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

Committee Activity Key A Annually Q Quarterly P Periodically S Standing

Significant issues relating to the financial statements

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

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

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

Auditor's re-appointment

External auditor

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

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

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

Effectiveness and quality of external audit process

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

In undertaking this review, the Committee considered:

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

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

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

It covered the:

- effectiveness of challenge by the auditor;
- Deloitte's integrity;
- transparency of its reporting to management and the Committee;
- clarity of communication by the auditor and its ways of working;
- alignment of the 2019 audit to the Group's investment in SAP;
- quality of the audit team's leadership; and
- skills and experience of the audit team.

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

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

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

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

Audit, risk and internal control continued

Auditor's re-appointment continued

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

Performance expectations for GSK's external auditor 2019

Audit approach and strategy:	– Leverage a centrally controlled audit approach, ensuring that GSK group, joint venture and local statutory entities were audited once and once only; – Refine a consistent technology-led audit with enhanced risk assessment and analytical procedures, providing insights that combined data trend analysis, process cycle pathways, and the identification of audit risks, ensuring a well-informed and efficient audit; and – Deliver a focused and consistent audit approach globally that reflected local risks and materiality.
High quality independent audit:	– Adhere to all independence policies (GSK's, the FRC's 2016 Revised Ethical Standard and applicable SEC standards); – Maintain a relentless focus on audit quality and Deloitte's internal quality control procedures; – Provide timely clarity on assessments of accounting treatments and ensure consistency of advice at all levels; – Maintain a forward-thinking approach by raising potential issues or concerns as soon as identified; – Provide timely up-to-date knowledge of technical and governance issues, including evolving market practice on the Viability Statement requirements, ESMA/SEC guidelines and new IFRSs (i.e. IFRS 16); – Serve as an industry resource; communicating best practice trends in reporting and integrated reporting; and – Provide high quality and succession planning of key staff members of Deloitte and ensure their technical skillsets are continuously enhanced.

Effective partnership:	– Deliver a smooth running, thorough and efficiently executed audit by:
	  – Discussing approach and areas of focus in advance and early engagement on understanding the implications of the new operating model;
	  – Ensuring Sarbanes Oxley scope and additional procedures were discussed and understood by management and communicated on a timely basis within GSK and Deloitte;
	  – Timely reporting of issues at all levels within the Group;
	  – Early engagement on and provision of impact assessments of key judgements;
	  – Ensuring clarity of roles and responsibilities between local Deloitte and Finance Services;
	  – Responding to any issues raised by management on a timely basis;
	  – Meeting agreed deadlines;
	  – Providing sufficient time for management to consider draft auditor reports and respond to requests and queries; and
	  – Consistent and timely communication and engagement between local and central audit teams, and across all GSK stakeholder groups.
	– Liaise with A&A to avoid duplication of work and GEC to ensure a common understanding of audit findings, adopting a collaborative approach to solving issues; and
	– Ultimately provide a high-quality service to the Board, shareholders and relevant stakeholders be scrupulous in its scrutiny of the Group and act with utmost integrity.

Value for money:	– Work closely with management to agree on scope changes, overruns and efficiencies and set clear milestones for continuous monitoring; and – Provide transparency of audit time and cost incurred analysis against budget, identifying areas that will enable reduction in audit hours without compromising audit quality and commensurately reducing audit fees.

Non-audit services

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

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

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

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

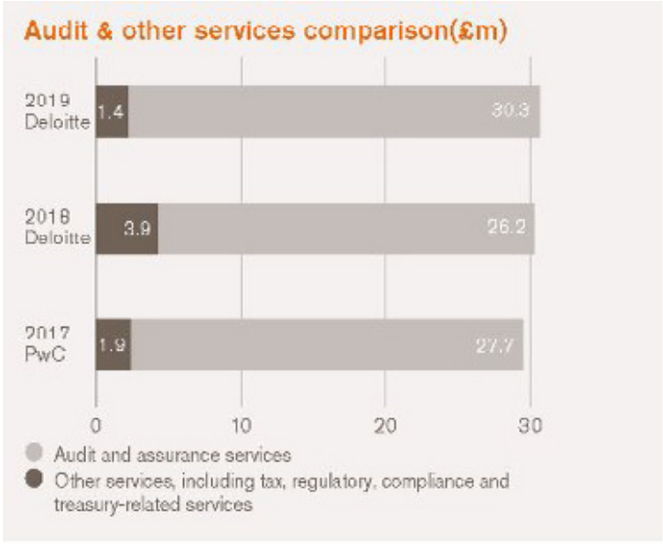
Fee cap: there is a cap of 50% of the annual audit fee which is more stringent than the FRC's fee cap set at 70% of the average fees for the preceding three-year period.

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

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

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

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



Fair, balanced and understandable assessment

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

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

Code of Conduct and reporting lines

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

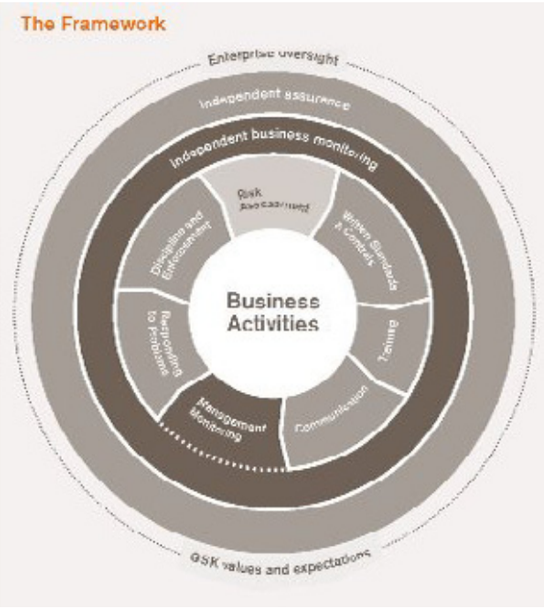
Audit, risk and internal control continued

Internal control framework

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

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

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



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

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

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

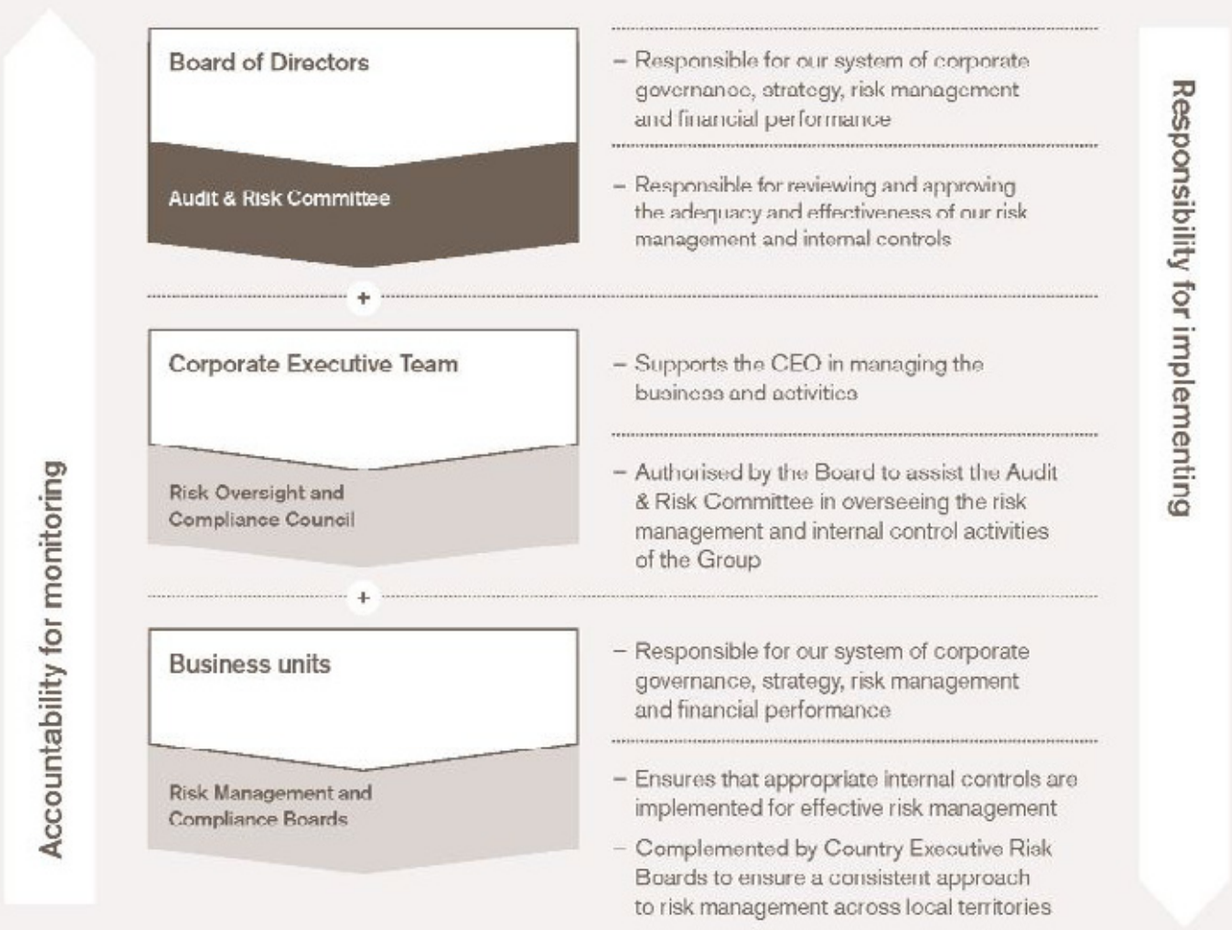
The Committee receives regular reports from business units, principal risk owners, GEC and A&A on areas of significant risk to the Group and on related internal controls. These reports provide an assessment on the internal control environment within each principal risk area, including enhancements to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

Internal control framework continued

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

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

Governance structure of risk management



Science Committee report

Dr Jesse Goodman
Science Committee Chair

Role
The Committee:

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

Membership

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

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

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

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

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

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

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

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

Pharmaceuticals R&D

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

Vaccines R&D

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

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

Collaborative approach

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

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

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

Positive outlook/R&D priority assets & Forward strategy

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

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

Committee evaluation

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

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

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

I look forward to reporting further progress next year.

Dr Jesse Goodman
Science Committee Chair

3 March 2020

Corporate Responsibility Committee report

Lynn Elsenhans
Corporate Responsibility Committee Chair

Role
The Committee:

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

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

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

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

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

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

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

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

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

Areas of focus in 2019

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

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

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

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

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

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

Stakeholder engagement and insights

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

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

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

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

Committee evaluation

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

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

Committee aims for 2020

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

Lynn Elsenhans
Corporate Responsibility Committee Chair

3 March 2020

Work of the Committee during 2019

Area of responsibility	Items addressed during 2019
External issues that have the potential for serious impact upon GSK's business and reputation	– Health and safety update – Regular reputational and emerging issues update – Oversight of corporate reputation research and KPI – HCP engagement and SFI changes implementation
Oversight of stakeholder views and engagement	– Stakeholder insights update – ESG investor insights – Employee survey – Shareholder meetings
Annual governance oversight of progress against GSK's responsible business commitments to support Trust	– Approval of the Trust section of the Annual Report – Oversight of progress against commitments – Global health strategy – Sustainable access and affordability – Business conduct – Responsible use of data – Modern employer, engagement and culture – Environmental targets

Key

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

Section 172 statement

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

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

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

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

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

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

The Board has had regard to the following matters:	More information:
(a) Long-term results – the likely consequences of any decision in the long term	**Strategic report:** Our business model (page 1) Chairman's statement (page 3) CEO's statement (page 4) Capital allocation (page 2) Our long-term priorities (page 9) Key performance indicators (page 11) Risk management (page 43) Viability statement (page 47) **Corporate Governance report:** Responsible leadership (page 84) Audit & Risk Committee report (page 96)
(b) Our workforce – the interests of the Group's employees	**Strategic report:** Our business model (page 1) Our Culture (page 10) Modern employer (page 35) Stakeholder engagement (page 15) **Corporate Governance report:** Responsible leadership (page 84) Workforce engagement (page 86) Nominations Committee report (page 92) Audit & Risk Committee report (page 96) **Remuneration report:** Remuneration Committee Chair's statement (page 116) **GSK.com:** Gender pay gap report

Section 172 statement continued

The Board has had regard to the following matters:	More information:
(c) Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others	**Strategic report:** Our business model (page 1) Industry trends (page 12) Stakeholder engagement (page 15) Performance: Pharma (page 22), Vaccines (page 26) and Consumer (page 28) Reliable supply (page 37) Working with third parties (page 39) Risk management (page 43) **Corporate Governance report:** Responsible leadership (page 84) Principal decisions (page 87) Audit & Risk Committee report (page 96) Corporate Responsibility Committee report (page 109)
(d) The community and our environment – the impact of the Group's operations on the community and the environment	**Strategic report:** Trust section including: Environment (page 41) EHSS risk (pages 45 and 285) Climate-related financial disclosure (page 46) **Corporate Governance report:** Corporate Responsibility Committee report (page 109) **GSK.com:** Responsibility reports and data
(e) Our reputation – our desire to maintain our reputation for high standards of business conduct	**Strategic report:** Our Culture (page 10) Trust (page 30) Ethics and values (page 37) Human rights (page 38) Reporting and investigating concerns (page 38) Anti-bribery and corruption (page 44) Non-financial statement (page 48) Our approach to tax (page 53) **Corporate Governance report:** Corporate Responsibility Committee report (page 109) **GSK.com:** Modern Slavery statement
(f) Fairness between our shareholders – our aim to act fairly as between members of the company	**Corporate Governance report:** Shareholder engagement (page 85) Investor information (page 258)

Directors

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

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

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

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

Directors' conflicts of interest

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

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

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

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

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

Independent advice

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

Indemnification of Directors

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

Change of control and essential contracts

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

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

Content of the Directors' Report

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

Directors' Report

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

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

Strategic report

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

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

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

The Directors' Report

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

Sir Jonathan Symonds
Chairman

3 March 2020

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

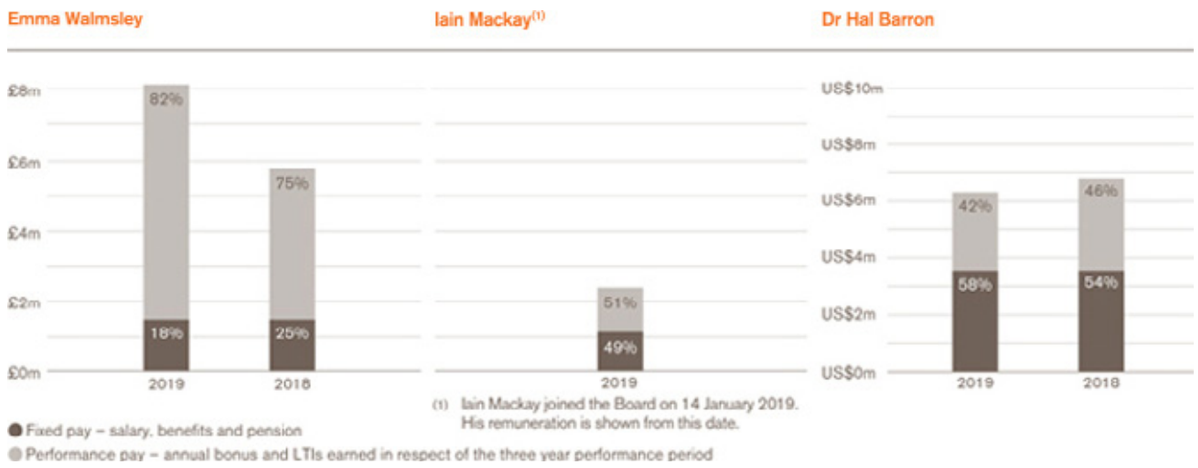
Finally, I would like to thank shareholders for their input and engagement during this Remuneration policy review and I welcome all shareholders' feedback on this report. We look forward to receiving your support for the proposed new Remuneration policy and Annual report on remuneration at our Annual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

Urs Rohner
Remuneration Committee Chairman
3 March 2020

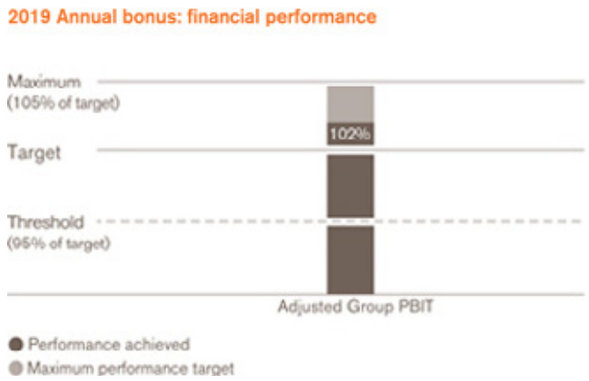
At a glance

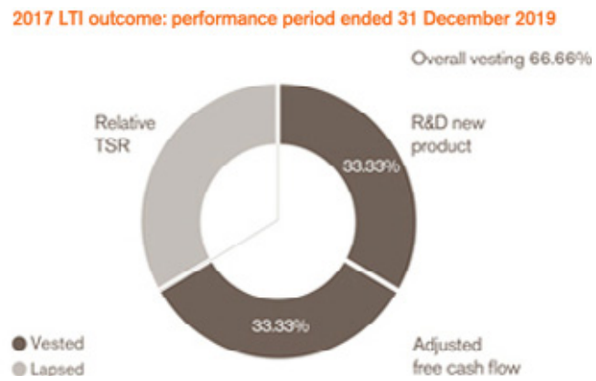
2019 Total Remuneration

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



Pay for performance





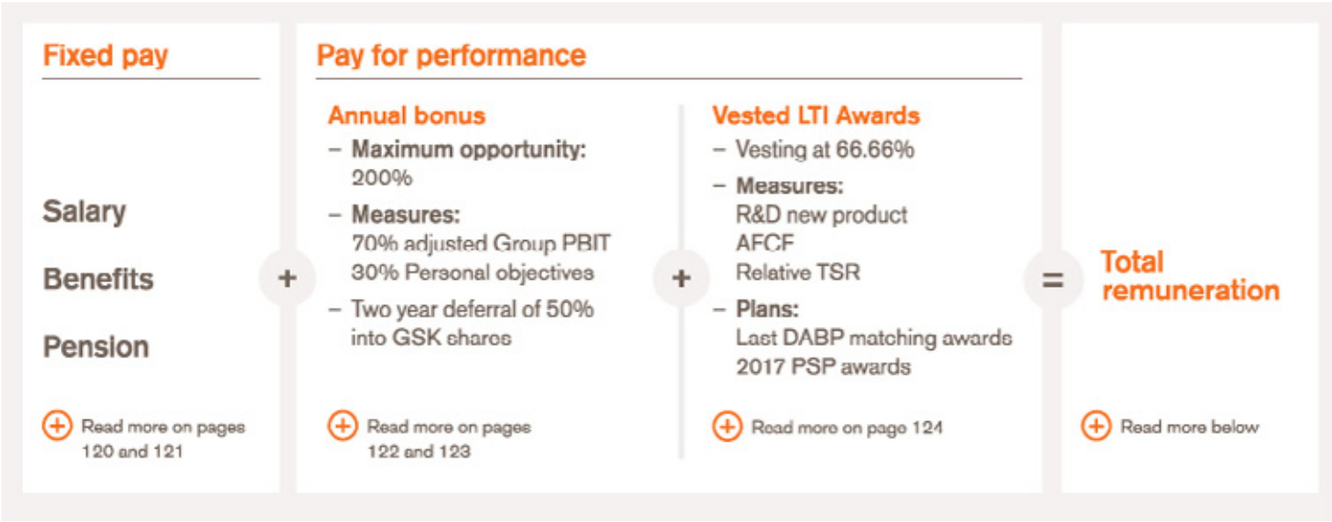
Proposed Executive remuneration policy and implementation for 2020 – Key changes(1)

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)



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		Pension remuneration value for 2019
Dr Hal Barron pension values	**31 December 2019 $000**	**31 December 2018 $000**	**$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

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			£850,000	**98**	**46.5**	**144.5**	**£1,185**
Dr Hal Barron			$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.

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

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.

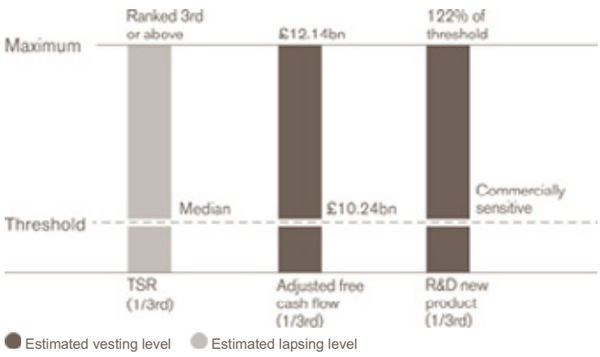
The AFCF targets and associated vesting scales for the 2018 and 2019 PSP awards have been adjusted. The net overall impact is a reduction of £0.23bn to £10.56bn for the 2018 award and £1.03bn to £11.07bn for the 2019 award. These adjustments are to take account of the following items:

– 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.

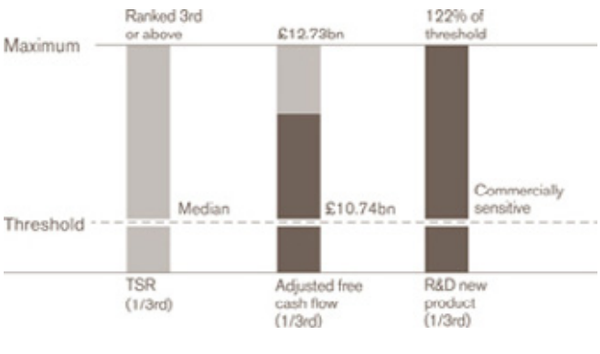
There are no changes to the targets set for the R&D new product performance measure (to be renamed Innovation sales) or the relative TSR performance measure for the 2018 and 2019 awards.

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

Year of grant	Vesting %					
	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

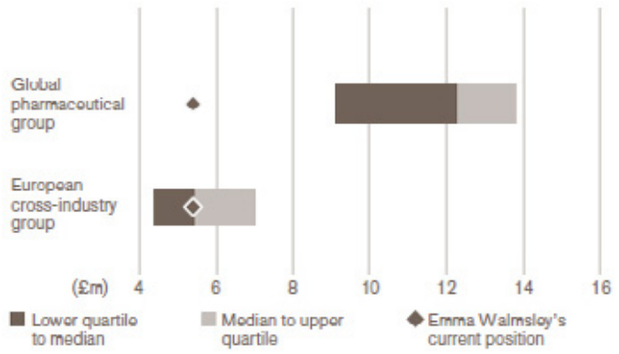
All awards are made under plans which incorporate dilution limits consistent with the guidelines published by the Investment Association. These limits are 10% in any rolling ten-year period for all plans and 5% in any rolling ten-year period for executive share plans (granted to senior executives). Estimated 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

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		
	2019	2018	£000 2017	2017	2016	2015	2014	2013	2012	£000 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

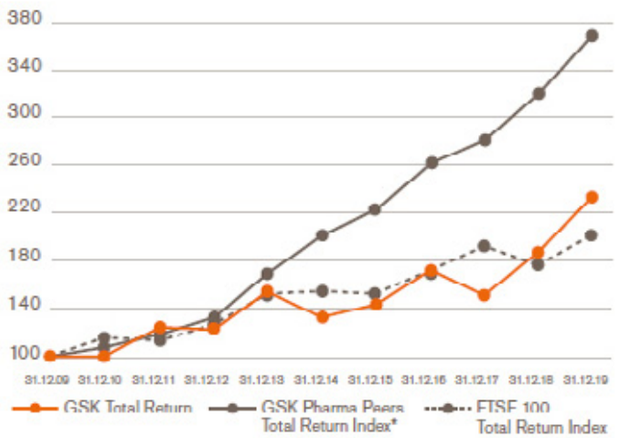
	Emma Walmsley		UK Employees
	2019 £000	% change	% change
Salary	**1,110**	8%	2.5%
Benefits	**192**	(18)%	0%
Annual bonus	**1,754**	(8)%	9%

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.

	2019			2018		
	£000	£000	£000	£000	£000	£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

	2019			2018		
	£000	£000	£000	£000	£000	£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**	–	–	–

	2019			2018		
	$000	$000	$000	$000	$000	$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

	2019			2018		
	£000	£000	£000	£000	£000	£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	2017 and 2018 awards lapsed in May 2019
DABP Matching awards	
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	£30,000
Scientific/Medical Experts Chairs of the Remuneration, Corporate Responsibility and Science Committees	
Non-Executive Director undertaking intercontinental travel to meetings	£7,500 per meeting

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 dis-incentivise unethical working practices using a clawback mechanism that allows us to recover performance-related pay.

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:

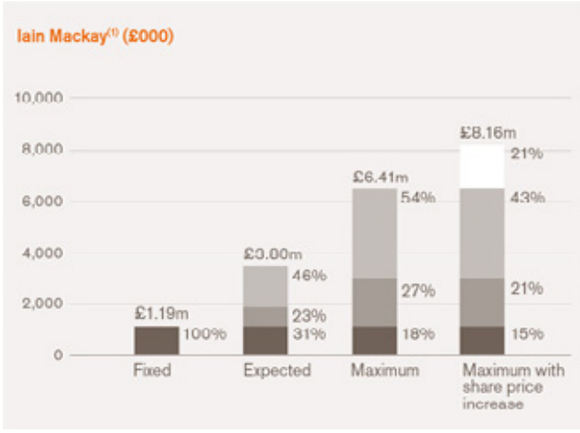
- Includes Fixed pay.
- For the Annual bonus, it is assumed that target performance is achieved.
- For PSP awards, amounts reflect 50% vesting levels.

Maximum:

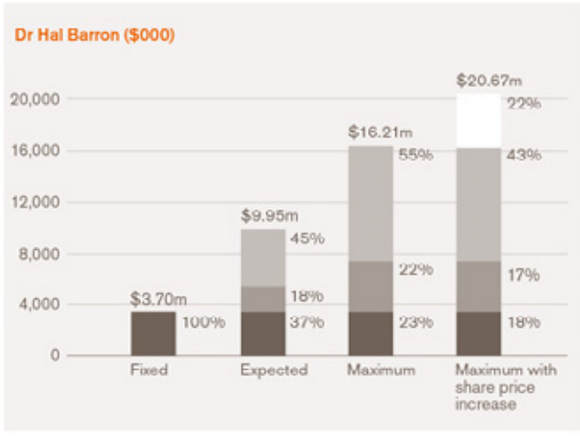
- It is assumed that the Annual bonus would be payable at the maximum level and that the awards under the PSP would vest in full.

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.



Fixed pay Annual bonus PSP 50% share price increase

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

Financial statements

In this section

Directors' statement of responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing the Group financial statements, the Directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB). The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state that the Group financial statements comply with IFRS as adopted by the European Union and IFRS as issued by the IASB, subject to any material departures disclosed and explained in the Group financial statements;

– state with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and

– prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group financial statements for the year ended 31 December 2019, comprising principal statements and supporting notes, are set out in the 'Financial statements' on pages 166 to 251 of this report. The parent company financial statements for the year ended 31 December 2019, comprising the balance sheet and the statement of changes in equity for the year ended 31 December 2019 and supporting notes, are set out on pages 252 to 256.

The responsibilities of the auditor in relation to the financial statements are set out in the Independent Auditor's report on pages 154 to 165.

The financial statements for the year ended 31 December 2019 are included in the Annual Report, which is published in printed form and made available on our website. The Directors are responsible for the maintenance and integrity of the Annual Report on our website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Each of the current Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report 2019 confirms that, to the best of his or her knowledge:

– the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

– the Strategic report and risk sections of the Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Directors' statement of responsibilities continued

Disclosure of information to auditor
The Directors in office at the date of this Annual Report have each confirmed that:

– so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and

– he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern basis
Pages 50 to 74 contain information on the performance of the Group, its financial position, cash flows, net debt position and borrowing facilities. Further information, including Treasury risk management policies, exposures to market and credit risk and hedging activities, is given in Note 43 to the financial statements, 'Financial instruments and related disclosures'. Having assessed the principal risks and other matters considered in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Internal control
The Board, through the Audit & Risk Committee, has reviewed the assessment of risks and the internal control framework that operates in GSK and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by this Annual Report and up to the date of its approval by the Board of Directors.

The 2018 UK Corporate Governance Code
The Board considers that GlaxoSmithKline plc applies the principles and complies with the provisions of the UK Corporate Governance Code maintained by the Financial Reporting Council, as described in the Corporate Governance section on pages 75 to 114. The Board further considers that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

As required by the Financial Conduct Authority's Listing Rules, the auditor has considered the Directors' statement of compliance in relation to those points of the UK Corporate Governance Code which are specified for their review.

Annual Report
The Annual Report for the year ended 31 December 2019, comprising the Report of the Directors, the Remuneration report, the Financial statements and Additional information for investors, has been approved by the Board of Directors and signed on its behalf by

Sir Jonathan Symonds
Chairman

3 March 2020

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Consolidated income statement
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m	2017 £m
Turnover	6	**33,754**	30,821	30,186
Cost of sales		**(11,863)**	(10,241)	(10,342)
Gross profit		**21,891**	20,580	19,844
Selling, general and administration		**(11,402)**	(9,915)	(9,672)
Research and development		**(4,568)**	(3,893)	(4,476)
Royalty income		**351**	299	356
Other operating income/(expense)	7	**689**	(1,588)	(1,965)
Operating profit	8	**6,961**	5,483	4,087
Finance income	11	**98**	81	65
Finance expense	12	**(912)**	(798)	(734)
Profit on disposal of interest in associates		**–**	3	94
Share of after tax profits of associates and joint ventures	13	**74**	31	13
Profit before taxation		**6,221**	4,800	3,525
Taxation	14	**(953)**	(754)	(1,356)
Profit after taxation for the year		**5,268**	4,046	2,169
Profit attributable to non-controlling interests		**623**	423	637
Profit attributable to shareholders		**4,645**	3,623	1,532
		5,268	4,046	2,169
Basic earnings per share (pence)	15	**93.9p**	73.7p	31.4p
Diluted earnings per share (pence)	15	**92.6p**	72.9p	31.0p

Consolidated statement of comprehensive income
for the year ended 31 December 2019

		2019 £m	2018 £m	2017 £m
Profit for the year		**5,268**	4,046	2,169
Other comprehensive (expense)/income for the year				
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	37	**(832)**	(480)	462
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries	37	**(75)**	–	109
Fair value movements on equity investments				(14)
Deferred tax on fair value movements on equity investments				47
Reclassification of fair value movements on equity investments		**–**	–	(42)
Deferred tax reversed on reclassification of equity investments		**–**	–	(18)
Fair value movements on cash flow hedges		**(20)**	140	(10)
Deferred tax on fair value movements on cash flow hedges		**16**	(22)	–
Reclassification of cash flow hedges to income statement		**3**	(175)	–
Deferred tax reversed on reclassification of cash flow hedges		**–**	20	–
		(908)	(517)	534
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	37	**(75)**	(1)	(149)
Fair value movements on equity investments		**372**	180	
Deferred tax on fair value movements on equity investments		**(95)**	10	
Remeasurement (losses)/gains on defined benefit plans		**(1,050)**	728	549
Tax on remeasurement of defined benefit plans		**189**	(146)	(221)
		(659)	771	179
Other comprehensive (expense)/income for the year	37	**(1,567)**	254	713
Total comprehensive income for the year		**3,701**	4,300	2,882
Total comprehensive income for the year attributable to:				
Shareholders		**3,153**	3,878	2,394
Non-controlling interests		**548**	422	488
Total comprehensive income for the year		**3,701**	4,300	2,882

Consolidated balance sheet
as at 31 December 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	17	**10,348**	11,058
Right of use assets	18	**966**	
Goodwill	19	**10,562**	5,789
Other intangible assets	20	**30,955**	17,202
Investments in associates and joint ventures	21	**314**	236
Other investments	22	**1,837**	1,322
Deferred tax assets	14	**4,096**	3,887
Derivative financial instruments	43	**103**	69
Other non-current assets	23	**1,020**	1,576
Total non-current assets		**60,201**	41,139
Current assets			
Inventories	24	**5,947**	5,476
Current tax recoverable	14	**262**	229
Trade and other receivables	25	**7,202**	6,423
Derivative financial instruments	43	**421**	188
Liquid investments	29	**79**	84
Cash and cash equivalents	26	**4,707**	3,874
Assets held for sale	27	**873**	653
Total current assets		**19,491**	16,927
Total assets		**79,692**	58,066
Current liabilities			
Short-term borrowings	29	**(6,918)**	(5,793)
Contingent consideration liabilities	32	**(755)**	(837)
Trade and other payables	28	**(14,939)**	(14,037)
Derivative financial instruments	43	**(188)**	(127)
Current tax payable	14	**(629)**	(965)
Short-term provisions	31	**(621)**	(732)
Total current liabilities		**(24,050)**	(22,491)
Non-current liabilities			
Long-term borrowings	29	**(23,590)**	(20,271)
Corporation tax payable	14	**(189)**	(272)
Deferred tax liabilities	14	**(3,810)**	(1,156)
Pensions and other post-employment benefits	30	**(3,457)**	(3,125)
Other provisions	31	**(670)**	(691)
Derivative financial instruments	43	**(1)**	(1)
Contingent consideration liabilities	32	**(4,724)**	(5,449)
Other non-current liabilities	33	**(844)**	(938)
Total non-current liabilities		**(37,285)**	(31,903)
Total liabilities		**(61,335)**	(54,394)
Net assets		**18,357**	3,672
Equity			
Share capital	36	**1,346**	1,345
Share premium account	36	**3,174**	3,091
Retained earnings (2018 revised – see Note 1)	37	**4,530**	(2,716)
Other reserves	37	**2,355**	2,061
Shareholders' equity		**11,405**	3,781
Non-controlling interests (2018 revised – see Note 1)		**6,952**	(109)
Total equity		**18,357**	3,672

The financial statements on pages 166 to 251 were approved by the Board on 3 March 2020 and signed on its behalf by

Sir Jonathan Symonds
Chairman

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Shareholders' equity						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	Non-controlling interests £m	**Total equity £m**
At 1 January 2017	1,342	2,954	(5,392)	2,220	1,124	3,839	**4,963**
Profit for the year	–	–	1,532	–	1,532	637	**2,169**
Other comprehensive income for the year	–	–	899	(37)	862	(149)	**713**
Total comprehensive income for the year	**–**	**–**	**2,431**	**(37)**	**2,394**	**488**	**2,882**
Distributions to non-controlling interests	–	–	–	–	–	(789)	**(789)**
Contribution from non-controlling interests	–	–	–	–	–	21	**21**
Dividends to shareholders	–	–	(3,906)	–	(3,906)	–	**(3,906)**
Changes in non-controlling interests	–	–	–	–	–	(2)	**(2)**
Shares issued	1	55	–	–	56	–	**56**
Shares acquired by ESOP Trusts	–	10	581	(656)	(65)	–	**(65)**
Write-down of shares held by ESOP Trusts	–	–	(520)	520	–	–	**–**
Share-based incentive plans	–	–	333	–	333	–	**333**
Tax on share-based incentive plans	–	–	(4)	–	(4)	–	**(4)**
At 31 December 2017	1,343	3,019	(6,477)	2,047	(68)	3,557	**3,489**
Implementation of IFRS 15	–	–	(4)	–	(4)	–	**(4)**
Implementation of IFRS 9	–	–	277	(288)	(11)	–	**(11)**
At 31 December 2017, as adjusted	1,343	3,019	(6,204)	1,759	(83)	3,557	**3,474**
Profit for the year	–	–	3,623	–	3,623	423	**4,046**
Other comprehensive income for the year	–	–	124	131	255	(1)	**254**
Total comprehensive income for the year	**–**	**–**	**3,747**	**131**	**3,878**	**422**	**4,300**
Distributions to non-controlling interests	–	–	–	–	–	(570)	**(570)**
Contribution from non-controlling interests	–	–	–	–	–	21	**21**
Derecognition of non-controlling interests in Consumer Healthcare Joint Venture	–	–	4,056	–	4,056	(4,118)	**(62)**
Dividends to shareholders	–	–	(3,927)	–	(3,927)	–	**(3,927)**
Realised profits on disposal of equity investments	–	–	56	(56)	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	38	(38)	–	–	**–**
Shares issued	2	72	–	–	74	–	**74**
Write-down of shares held by ESOP Trusts	–	–	(265)	265	–	–	**–**
Share-based incentive plans	–	–	360	–	360	–	**360**
Tax on share-based incentive plans	–	–	2	–	2	–	**2**
At 31 December 2018, as reported	1,345	3,091	(2,137)	2,061	4,360	(688)	**3,672**
Adjustment to non-controlling interest (see Note 1)	–	–	(579)	–	(579)	579	**–**
At 31 December 2018, as revised	1,345	3,091	(2,716)	2,061	3,781	(109)	**3,672**
Implementation of IFRS 16	–	–	(93)	–	(93)	–	**(93)**
At 31 December 2018, as adjusted	1,345	3,091	(2,809)	2,061	3,688	(109)	**3,579**
Profit for the year	–	–	4,645	–	4,645	623	**5,268**
Other comprehensive income for the year	–	–	(1,766)	274	(1,492)	(75)	**(1,567)**
Total comprehensive income for the year	**–**	**–**	**2,879**	**274**	**3,153**	**548**	**3,701**
Distributions to non-controlling interests	–	–	–	–	–	(364)	**(364)**
Changes in non-controlling interests	–	–	–	–	–	(10)	**(10)**
Dividends to shareholders	–	–	(3,953)	–	(3,953)	–	**(3,953)**
Recognition of interest in Consumer Healthcare Joint Venture	–	–	8,082	–	8,082	6,887	**14,969**
Realised losses on disposal of equity investments	–	–	(4)	4	–	–	**–**
Shares issued	1	50	–	–	51	–	**51**
Shares acquired by ESOP Trusts	–	33	295	(328)	–	–	**–**
Write-down of shares held by ESOP Trusts	–	–	(344)	344	–	–	**–**
Share-based incentive plans	–	–	365	–	365	–	**365**
Tax on share-based incentive plans	–	–	19	–	19	–	**19**
At 31 December 2019	**1,346**	**3,174**	**4,530**	**2,355**	**11,405**	**6,952**	**18,357**

Consolidated cash flow statement

for the year ended 31 December 2019

	Notes	2019 £m	2018 £m	2017 £m
Cash flow from operating activities				
Profit after taxation for the year		**5,268**	4,046	2,169
Adjustments reconciling profit after tax to operating cash flows	41	**4,264**	5,701	6,089
Cash generated from operations		**9,532**	9,747	8,258
Taxation paid		**(1,512)**	(1,326)	(1,340)
Net cash inflow from operating activities		**8,020**	8,421	6,918
Cash flow from investing activities				
Purchase of property, plant and equipment		**(1,265)**	(1,344)	(1,545)
Proceeds from sale of property, plant and equipment		**95**	168	281
Purchase of intangible assets		**(898)**	(452)	(657)
Proceeds from sale of intangible assets		**404**	256	48
Purchase of equity investments		**(258)**	(309)	(80)
Proceeds from sale of equity investments		**69**	151	64
Contingent consideration paid		**(113)**	(153)	(91)
Purchase of businesses, net of cash acquired	40	**(3,571)**	–	–
Disposal of businesses	40	**104**	26	282
Investments in associates and joint ventures	40	**(11)**	(10)	(15)
Proceeds from disposal of interests in associates	40	**–**	3	196
Decrease in liquid investments		**1**	–	4
Interest received		**82**	72	64
Dividends from associates, joint ventures and equity investments		**7**	39	6
Net cash outflow from investing activities		**(5,354)**	(1,553)	(1,443)
Cash flow from financing activities				
Shares acquired by ESOP Trusts		**–**	–	(65)
Issue of share capital	36	**51**	74	56
Purchase of non-controlling interests		**(7)**	(9,320)	(29)
Increase in long-term loans		**4,794**	10,138	2,233
Repayment of short-term Notes		**(4,160)**	(2,067)	(2,636)
Increase in/(repayment of) other short-term loans		**3,095**	81	(564)
Repayment of lease liabilities		**(214)**	(28)	(23)
Interest paid		**(895)**	(766)	(781)
Dividends paid to shareholders		**(3,953)**	(3,927)	(3,906)
Distributions to non-controlling interests		**(364)**	(570)	(779)
Contributions from non-controlling interests		**–**	21	21
Other financing cash flows		**(187)**	(25)	93
Net cash outflow from financing activities		**(1,840)**	(6,389)	(6,380)
Increase/(decrease) in cash and bank overdrafts	42	**826**	479	(905)
Cash and bank overdrafts at beginning of year		**4,087**	3,600	4,605
Exchange adjustments		**(82)**	8	(100)
Increase/(decrease) in cash and bank overdrafts		**826**	479	(905)
Cash and bank overdrafts at end of year		**4,831**	4,087	3,600
Cash and bank overdrafts at end of year comprise:				
Cash and cash equivalents		**4,707**	3,874	3,833
Cash and cash equivalents reported in assets held for sale		**507**	485	–
		5,214	4,359	3,833
Overdrafts		**(383)**	(272)	(233)
		4,831	4,087	3,600

Notes to the financial statements

1. Presentation of the financial statements

Description of business
GSK is a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, vaccines, over-the-counter (OTC) medicines and health-related consumer products. GSK's principal pharmaceutical products include medicines in the following therapeutic areas: respiratory, HIV, immuno-inflammation, oncology, anti-virals, central nervous system, cardiovascular and urogenital, metabolic, anti-bacterials and dermatology.

Compliance with applicable law and IFRS
The financial statements have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union.

The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board.

Composition of financial statements
The consolidated financial statements are drawn up in Sterling, the functional currency of GlaxoSmithKline plc, and in accordance with IFRS accounting presentation. The financial statements comprise:

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the financial statements.

Composition of the Group
A list of the subsidiaries and associates which, in the opinion of the Directors, principally affected the amount of profit or net assets of the Group is given in Note 45, 'Principal Group companies'.

Financial period
These financial statements cover the financial year from 1 January to 31 December 2019, with comparative figures for the financial years from 1 January to 31 December 2018 and, where appropriate, from 1 January to 31 December 2017.

Accounting principles and policies
The financial statements have been prepared using the historical cost convention modified by the revaluation of certain items, as stated in the accounting policies, and on a going concern basis.

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adjustment to 2018 retained earnings and non-controlling interests balances
In 2018, the Group acquired Novartis' non-controlling interest in the old Consumer Healthcare Joint Venture. As a result of the transaction, the non-controlling interest ceased to exist and should have been fully eliminated from the consolidated reserves. An adjustment of £579 million has been made between the 2018 closing balances of retained earnings and non-controlling interests to reallocate cumulative translation exchange and eliminate the remaining non-controlling interest balance. There was no impact on profit for the year, other comprehensive income, net assets or total equity for 2018 and no impact on any items in earlier years. The effect of the adjustment on the relevant equity balances was as follows:

	At 31 December 2018, as reported £m	Adjustment £m	At 31 December 2018, as revised £m
Retained earnings	(2,137)	(579)	(2,716)
Shareholders' equity	4,360	(579)	3,781
Non-controlling interests	(688)	579	(109)
Total equity	3,672	–	3,672

Implementation of IFRS 16 'Leases'
The Group has applied IFRS 16 'Leases' with effect from 1 January 2019. IFRS 16 introduces new requirements for the definition of a lease, lessee accounting and lessor accounting as well as a number of new disclosures.

In general, all leases within the scope of IFRS 16 are required to be brought on to the balance sheet by lessees, recognising a 'right-of-use' asset and a related lease liability at the commencement of the lease. The subsequent accounting is similar to the finance lease model set out in IAS 17. IFRS 16 establishes a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

GSK has adopted IFRS 16 applying the modified retrospective approach, and accordingly prior year results have not been restated. For larger leases (leases with annual payments of £1 million or more), the right of use asset at 1 January 2019 was calculated based on the original lease inception date and for smaller leases (leases with annual payments of less than £1 million) the right of use asset was set equal to the lease liability at 1 January 2019, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination fair value adjustments. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2019 has been recognised as an adjustment to opening retained earnings at 1 January 2019.

Notes to the financial statements continued

1. Presentation of the financial statements continued

The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into either before the date of initial application or after. There have been no significant changes as a result for the vast majority of contracts.

The following permitted practical expedients were applied at transition:

- The right-of-use asset at the date of transition was adjusted by the amount of the existing onerous lease provision at 31 December 2018, without re-assessment.
- Leases ending within 12 months of the transition date were treated as short-term leases on a lease-by-lease basis.
- Initial direct costs were excluded from the measurement of the right of use asset at the transition date on a lease-by-lease basis.
- Hindsight was applied, such as in determining the lease term where contracts contained options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities recognised on 1 January 2019 was 3.13%.

Impact of IFRS 16 on each balance sheet line item

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 16 at 1 January 2019.

	As reported £m	IFRS 16 adjustments £m	As adjusted £m
Non-current assets			
Property, plant and equipment	11,058	(98)	10,960
Right of use assets	–	1,071	1,071
Other non-current assets	1,576	(11)	1,565
Deferred tax assets	3,887	39	3,926
Current assets			
Trade and other receivables	6,423	3	6,426
Current liabilities			
Trade and other payables	(14,037)	10	(14,027)
Provisions	(732)	32	(700)
Short-term borrowings	(5,793)	(229)	(6,022)
Non-current liabilities			
Long-term borrowings	(20,271)	(1,074)	(21,345)
Other non-current liabilities	(938)	160	(778)
Provisions	(691)	3	(688)
Deferred tax liabilities	(1,156)	1	(1,155)
Total effect on net assets	3,672	(93)	3,579
Retained earnings, as revised	(2,716)	(93)	(2,809)
Total effect on equity	3,672	(93)	3,579

The £98 million reduction in property, plant and equipment arose from the transfer of asset retirement obligations and existing finance leases to right of use assets. The £160 million adjustment to other non-current liabilities arose from business combination fair value adjustments which were derecognised on the transition to IFRS 16 with a corresponding adjustment to right of use assets.

The application of IFRS 16 has had no material impact on the Group's income statement and earnings per share, or on overall cash flows for the Group. However, the presentation of the lease payments in the cash flow statement has changed, resulting in an increase to the net cash inflow from operating activities, and hence free cash flow, and a corresponding increase in the net cash outflow from financing items (split between interest paid and repayment of lease liabilities).

The reconciliation between operating lease commitments previously reported for the year ended 31 December 2018, discounted at the Group's incremental borrowing rate, and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is as follows:

	£m
Operating lease commitments at 31 December 2018	1,138
Effect of discounting at the Group's incremental borrowing rate at 1 January 2019	(126)
Reasonably certain extension options	254
Termination options not reasonably certain to be exercised	46
Short-term leases	(2)
Other adjustments	(7)
Lease liabilities recognised at 1 January 2019	1,303

Parent company financial statements

The financial statements of the parent company, GlaxoSmithKline plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The company balance sheet is presented on page 252 and the accounting policies are given on pages 253 and 254.

2. Accounting principles and policies

Consolidation

The consolidated financial statements include:

– the assets and liabilities, and the results and cash flows, of the company and its subsidiaries, including ESOP Trusts

– the Group's share of the results and net assets of associates and joint ventures

– the Group's share of assets, liabilities, revenue and expenses of joint operations.

The financial statements of entities consolidated are made up to 31 December each year.

Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies, are accounted for as subsidiaries.

Where the Group has the ability to exercise joint control over, and rights to, the net assets of entities, the entities are accounted for as joint ventures. Where the Group has the ability to exercise joint control over an arrangement, but has rights to specified assets and obligations for specified liabilities of the arrangement, the arrangement is accounted for as a joint operation. Where the Group has the ability to exercise significant influence over entities, they are accounted for as associates. The results and assets and liabilities of associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. The Group's rights to assets, liabilities, revenue and expenses of joint operations are included in the consolidated financial statements in accordance with those rights and obligations.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group. The relevant proportion of profits on transactions with joint ventures, joint operations and associates is also deferred until the products are sold to third parties. Transactions with non-controlling interests are recorded directly in equity. Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

The fair value of contingent consideration liabilities are reassessed at each balance sheet date with changes recognised in the income statement. Payments of contingent consideration reduce the balance sheet liability and as a result are not recorded in the income statement. The part of each payment relating to the original estimate of the fair value of the contingent consideration on acquisition is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition date is reported within operating cash flows.

Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of effecting an acquisition are charged to the income statement in the period in which they are incurred.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates. Goodwill is denominated in the currency of the operation acquired.

Where the cost of acquisition is below the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Where not all of the equity of a subsidiary is acquired the non-controlling interest is recognised either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis. Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group company at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement.

On consolidation, assets and liabilities, including related goodwill, of overseas subsidiaries, associates and joint ventures, are translated into Sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries, associates and joint ventures are translated into Sterling using average rates of exchange.

Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries, associates and joint ventures are translated into Sterling, less exchange differences arising on related foreign currency borrowings which hedge the Group's net investment in these operations, are taken to a separate component of equity.

When translating into Sterling the assets, liabilities, results and cash flows of overseas subsidiaries, associates and joint ventures which are reported in currencies of hyper-inflationary economies, adjustments are made where material to reflect current price levels. Any loss on net monetary assets is charged to the consolidated income statement.

Notes to the financial statements continued

2. Accounting principles and policies continued

Revenue (applicable from 1 January 2018)

The Group receives revenue for supply of goods to external customers against orders received. The majority of contracts that GSK enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical, vaccine and consumer healthcare products. The average duration of a sales order is less than 12 months.

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

GSK enters into development and marketing collaborations and out-licences of the Group's compounds or products to other parties. These contracts give rise to fixed and variable consideration from upfront payments, development milestones, sales-based milestones and royalties.

Income dependent on the achievement of a development milestone is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, which is usually when the related event occurs. Sales-based milestone income is recognised when it is highly probable that the sales threshold will be reached.

Sales-based royalties on a licence of intellectual property are not recognised until the relevant product sale occurs.

If the time between the recognition of revenue and payment from the customer is expected to be more than one year and the impact is material, the amount of consideration is discounted using appropriate discount rates.

Value added tax and other sales taxes are excluded from revenue.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred.

Advertising and promotion expenditure is charged to the income statement as incurred. Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in selling, general and administrative expenditure.

Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken.

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to the income statement. The Group recognises its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In respect of product liability claims related to certain products, provision is made when there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate. In addition, provision is made for legal or other expenses arising from claims received or other disputes.

The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made.

Costs associated with claims made by the Group against third parties are charged to the income statement as they are incurred.

2. Accounting principles and policies continued

Pensions and other post-employment benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries. Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high-quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries.

Actuarial gains and losses and the effect of changes in actuarial assumptions are recognised in the statement of comprehensive income in the year in which they arise.

The Group's contributions to defined contribution plans are charged to the income statement as incurred.

Employee share plans

Incentives in the form of shares are provided to employees under share option and share award schemes.

The fair values of these options and awards are calculated at their grant dates using a Black-Scholes option pricing model and charged to the income statement over the relevant vesting periods.

The Group provides finance to ESOP Trusts to purchase company shares to meet the obligation to provide shares when employees exercise their options or awards. Costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise.

Property, plant and equipment

Property, plant and equipment (PP&E) is stated at the cost of purchase or construction, less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost less residual value of PP&E, excluding freehold land, using the straight-line basis over the expected useful life. Residual values and lives are reviewed, and where appropriate adjusted annually. The normal expected useful lives of the major categories of PP&E are:

Freehold buildings	20 to 50 years
Leasehold land and buildings	Lease term or 20 to 50 years
Plant and machinery	10 to 20 years
Equipment and vehicles	3 to 10 years

On disposal of PP&E, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

Leases (applicable from 1 January 2019)

The Group recognises right of use assets under lease arrangements in which it is the lessee. Rights to use assets owned by third parties under lease agreements are capitalised at the inception of the lease and recognised on the consolidated balance sheet. The corresponding liability to the lessor is recognised as a lease obligation within short and long-term borrowings. The carrying amount is subsequently increased to reflect interest on the lease liability and reduced by lease payments made.

For calculating the discounted lease liability on leases with annual payments of £2 million or more, the implicit rate in the lease is used. If this is not available, the incremental borrowing rate with a lease specific adjustment is used. If neither of these is available, and for leases with annual payments of less than £2 million, the incremental borrowing rate is used. The incremental borrowing rate is calculated at the rate of interest at which GSK would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Finance costs are charged to the income statement so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Variable rents are not part of the lease liability and the right of use asset. These payments are charged to the income statement as incurred. Short-term and low-value leases are not capitalised and lease rentals are also charged to the income statement as incurred.

Non-lease components are accounted for separately from the lease components in plant and equipment leases but are not separately accounted for in land and buildings or vehicle leases.

If modifications or reassessments occur, the lease liability and right of use asset are re-measured.

Right of use assets where title is expected to pass to GSK at a point in the future are depreciated on a basis consistent with similar owned assets. In other cases, right of use assets are depreciated over the shorter of the useful life of the asset or the lease term.

Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, this excess is recognised immediately as a gain in the income statement.

Notes to the financial statements continued

2. Accounting principles and policies continued

Other intangible assets
Intangible assets are stated at cost less provisions for amortisation and impairments.

Licences, patents, know-how and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually.

Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred, unless the criteria for recognition of an internally-generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

Acquired brands are valued independently as part of the fair value of businesses acquired from third parties where the brand has a value which is substantial and long-term and where the brands either are contractual or legal in nature or can be sold separately from the rest of the businesses acquired. Brands are amortised over their estimated useful lives of up to 20 years, except where it is considered that the useful economic life is indefinite.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

Impairment of non-current assets
The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

Investments in associates, joint ventures and joint operations
Investments in associates and joint ventures are carried in the consolidated balance sheet at the Group's share of their net assets at date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition. The Group recognises its rights to assets, liabilities, revenue and expenses of joint operations.

Inventories
Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realisable value. Cost is generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

Financial instruments (applicable from 1 January 2018)

Financial assets
Financial assets are measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For financial assets other than trade receivables a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. If there is subsequent evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

Other investments
Other investments comprise equity investments and investments in limited life funds. The Group has elected to designate equity investments as measured at FVTOCI. They are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in other comprehensive income.

On disposal of the equity investment, gains and losses that have been deferred in Other comprehensive income are transferred directly to retained earnings. Investments in limited life funds are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement.

2. Accounting principles and policies continued

Dividends on equity investments and distributions from funds are recognised in the income statement when the Group's right to receive payment is established.

Purchases and sales of Other investments are accounted for on the trade date.

Trade receivables
Trade receivables are measured in accordance with the business model under which each portfolio of trade receivables is held. The Group has portfolios in each of the three business models under IFRS 9 due to factoring arrangements in place: to collect the contractual cash flows (measured at amortised cost), to sell the contractual cash flows (measured at FVTPL), and both to collect and to sell the contractual cash flows (measured at FVTOCI). Trade receivables measured at amortised cost are carried at the original invoice amount less allowances for expected credit losses.

Expected credit losses are calculated in accordance with the simplified approach permitted by IFRS 9, using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether, and the extent to which, settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

When a trade receivable is determined to have no reasonable expectation of recovery it is written off, firstly against any expected credit loss allowance available and then to the income statement.

Subsequent recoveries of amounts previously provided for or written off are credited to the income statement. Long-term receivables are discounted where the effect is material.

Cash and cash equivalents
Cash held in deposit accounts is measured at amortised cost. Investments in money market funds are held at fair value through profit or loss because the funds fail the solely payments of principal and interest (SPPI) test.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Derivative financial instruments
Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial assets and liabilities, including derivatives embedded in host contracts which have been separated from the host contract, are classified as held-for-trading and are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Hedge accounting
Derivatives designated as hedging instruments are classified at inception of hedge relationship as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Net investment hedges are accounted for in a similar way to cash flow hedges.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Taxation
Current tax is provided at the amounts expected to be paid, applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Where an uncertain tax position is identified, management will make a judgement as to what the probable outcome will be, assuming the relevant tax authority has full knowledge of the situation. Where it is assessed that an economic outflow is probable to arise a provision is made for the best estimate of the liability. In estimating any such liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice.

Discounting
Where the time value of money is material, balances are discounted to current values using appropriate discount rates. The unwinding of the discounts is recorded in finance income and finance expense.

Notes to the financial statements continued

2. Accounting principles and policies continued

Revenue (applicable up to 31 December 2017)

Revenue is recognised in the income statement when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally-generated information. Value added tax and other sales taxes are excluded from revenue.

Where the Group co-promotes a product and the counterparty records the sale, the Group records its share of revenue as co-promotion income within turnover. The nature of co-promotion activities is such that the Group records no costs of sales. In addition, initial or event-based milestone income (excluding royalty income) arising on development or marketing collaborations of the Group's compounds or products with other parties is recognised in turnover.

Royalty income is recognised on an accruals basis in accordance with the terms of the relevant licensing agreements.

Financial instruments (applicable up to 31 December 2017)

Available-for-sale investments

Liquid investments and other investments are classified as available-for-sale investments and are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income. Impairments arising from the significant or prolonged decline in fair value of an equity investment reduce the carrying amount of the asset directly and are charged to the income statement.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the income statement when the Group's right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

Trade receivables

Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions.

When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Derivative financial instruments and hedging

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are classified as held-for-trading and are carried in the balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Net investment hedges are accounted for in a similar way to cash flow hedges.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Leases (applicable up to 31 December 2018)

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in PP&E or computer software and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term, if shorter. The interest element of the lease rental is included in the income statement. All other leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term.

3. Key accounting judgements and estimates

In preparing the financial statements, management is required to make judgements about when or how items should be recognised in the financial statements and estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting judgements and key sources of estimation uncertainty.

Turnover

Reported Group turnover for 2019 was £33,754 million (2018 – £30,821 million).

Estimates

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

The US Pharmaceuticals business has the largest and most complex arrangements for rebates, discounts and allowances. The US Pharmaceuticals turnover for 2019 of £7,402 million (2018 – £7,453 million) was after recording deductions of £11,069 million (2018 – £10,774 million) for rebates, discounts, allowances and returns. The balance sheet accruals for rebates, discounts, allowances and returns for the US Pharmaceuticals and Vaccines businesses are managed on a combined basis. At 31 December 2019, the total accrual amounted to £4,200 million (2018 – £4,356 million). Because of the nature of these accruals it is not practicable to give meaningful sensitivity estimates.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally-generated information. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The amount of turnover recognised in the year from performance obligations satisfied in previous periods is set out in Note 6, ‘Turnover and segment information’.

Future events could cause the assumptions on which the accruals are based to change, which could materially affect the future results of the Group.

Taxation

The tax charge for the year was £953 million (2018 – £754 million). At December 2019, current tax payable was £629 million (2018 – £965 million), non-current corporation tax payable was £189 million (2018 – £272 million) and current tax recoverable was £262 million (2018 – £229 million).

Estimates

The Group has open tax issues with a number of revenue authorities. Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made.

If sufficient information is available, in estimating a potential tax liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge.

At 31 December 2019, the Group had recognised provisions of £933 million in respect of uncertain tax positions (2018 – £1,082 million). Because of the nature of these uncertain positions, it is not practicable to give meaningful sensitivity estimates.

Factors affecting the tax charge in future years are set out in Note 14, ‘Taxation’. GSK continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Legal and other disputes

Legal costs for the year were £363 million (2018 – £117 million). At 31 December 2019 provisions for legal and other disputes amounted to £198 million (2018 – £219 million).

Estimates

Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the likely outcome of the dispute and the legal and other expenses arising from claims against the Group. If insufficient information is available, no provision is made and disclosure of the claim is given.

The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Details of the status and various uncertainties involved in the significant unresolved disputes are set out in Note 46, ‘Legal proceedings’.

Notes to the financial statements continued

3. Key accounting judgements and estimates continued

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, or practicable to give a meaningful range of outcomes that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be provided, but no provision would be made and no contingent liability can be quantified.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Group's financial statements by a material amount.

Contingent consideration

The 2019 income statement charge for contingent consideration was £83 million (2018 – £1,251 million).

At 31 December 2019, the liability for contingent consideration amounted to £5,479 million (2018 – £6,286 million). Of this amount, £5,103 million (2018 – £5,937 million) related to the acquisition of the former Shionogi-ViiV Healthcare joint venture in 2012.

Estimates

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate post-tax discount rates. The fair values are reviewed on a regular basis, at least annually, and any changes are reflected in the income statement. See Note 32, 'Contingent consideration liabilities'.

Pensions and other post-employment benefits

Judgement

Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. Two UK schemes are in surplus, with a combined surplus of £70 million at 31 December 2019 (2018 – £711 million). GSK has made the judgement that these amounts meet the requirements of recoverability.

Estimates

The costs of providing pensions and other post-employment benefits are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 30, 'Pensions and other post-employment benefits'.

Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. A sensitivity analysis is provided in Note 30, 'Pensions and other post-employment benefits', but a 0.5% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £1,640 million and an increase in the annual pension cost of approximately £43 million. The selection of different assumptions could affect the future results of the Group.

4. New accounting requirements

The following new and amended accounting standards have been issued by the IASB and are likely to affect future Annual Reports.

An amendment to IFRS 3 'Business combinations' was issued in October 2018 and will be implemented by the Group in 2020. The amendment clarifies the definition of a business and permits a simplified initial assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The amendment will apply prospectively to acquisitions completed after its implementation date and will not change the accounting for any acquisitions before that date.

'Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7' was issued in September 2019 and will be implemented by the Group from 1 January 2020. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments referencing the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments are not expected to have a material impact on the results or financial position of the Group.

5. Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, joint ventures and associates into Sterling and period end rates to translate the net assets of those entities. The currencies which most influence these translations and the relevant exchange rates were:

	2019	2018	2017
Average rates:			
US$/£	**1.28**	1.33	1.30
Euro/£	**1.14**	1.13	1.15
Yen/£	**139**	147	145

	2019	2018	2017
Period end rates:			
US$/£	**1.32**	1.27	1.35
Euro/£	**1.18**	1.11	1.13
Yen/£	**143**	140	152

6. Turnover and segment information

Operating segments are reported based on the financial information provided to the Chief Executive Officer and the responsibilities of the Corporate Executive Team (CET). GSK reports results under four segments: Pharmaceuticals; Pharmaceuticals R&D; Vaccines and Consumer Healthcare, and individual members of the CET are responsible for each segment.

The Group's management reporting process allocates intra-Group profit on a product sale to the market in which that sale is recorded, and the profit analyses below have been presented on that basis.

Corporate and other unallocated turnover and costs included the results of certain Consumer Healthcare products which are being held for sale in a number of markets in order to meet anti-trust approval requirements, together with the costs of corporate functions.

Revenue recognised in the year from performance obligations satisfied in previous periods totalled £793 million (2018 – £426 million) and included £451 million (2018 – £122 million) reported in turnover arising from changes to prior year estimates of RAR accruals and £328 million (2018 – £299 million) of royalty income.

Turnover by segment	**2019 £m**	2018 £m	2017 £m
Pharmaceuticals	**17,554**	17,269	17,276
Vaccines	**7,157**	5,894	5,160
Consumer Healthcare	**8,995**	7,658	7,750
Segment turnover	**33,706**	30,821	30,186
Corporate and other unallocated turnover	**48**	–	–
	33,754	30,821	30,186

GSK has reviewed the presentation of its respiratory product sales and from 1 January 2019 is reporting the *Ellipta* products portfolio and *Nucala* under the 'Respiratory' category and all other respiratory products under 'Established Pharmaceuticals'. Comparative information has been revised onto a consistent basis.

Pharmaceuticals turnover by therapeutic area	**2019 £m**	2018 (revised) £m	2017 (revised) £m
Respiratory	**3,081**	2,612	1,930
HIV	**4,854**	4,722	4,350
Immuno-inflammation	**613**	472	377
Oncology	**230**	–	–
Established Pharmaceuticals	**8,776**	9,463	10,619
	17,554	17,269	17,276

Vaccines turnover by category	**2019 £m**	2018 £m	2017 £m
Meningitis	**1,018**	881	890
Influenza	**541**	523	488
Shingles	**1,810**	784	22
Established Vaccines	**3,788**	3,706	3,760
	7,157	5,894	5,160

Notes to the financial statements continued

6. Turnover and segment information continued

During 2019, the US operations of the Pharmaceuticals and Vaccines businesses made sales to three wholesalers of approximately £2,835 million (2018 – £2,709 million, 2017 – £2,449 million), £3,146 million (2018 – £2,962 million, 2017 – £3,043 million) and £2,820 million (2018 – £2,656 million, 2017 – £2,356 million) respectively, after allocating final-customer discounts to the wholesalers.

Consumer Healthcare turnover by category	2019 £m	2018 £m	2017 £m
Wellness	**4,526**	3,940	4,001
Oral health	**2,673**	2,496	2,466
Nutrition	**1,176**	643	680
Skin health	**620**	579	603
	8,995	7,658	7,750

Segment profit	2019 £m	2018 £m	2017 £m
Pharmaceuticals	**7,964**	8,420	8,667
Pharmaceuticals R&D	**(3,369)**	(2,676)	(2,740)
Pharmaceuticals, including R&D	**4,595**	5,744	5,927
Vaccines	**2,966**	1,943	1,644
Consumer Healthcare	**1,874**	1,517	1,373
Segment profit	**9,435**	9,204	8,944
Corporate and other unallocated costs	**(463)**	(459)	(376)
Other reconciling items between segment profit and operating profit	**(2,011)**	(3,262)	(4,481)
Operating profit	**6,961**	5,483	4,087
Finance income	**98**	81	65
Finance costs	**(912)**	(798)	(734)
Profit on disposal of interest in associates	**–**	3	94
Share of after-tax profits of associates and joint ventures	**74**	31	13
Profit before taxation	**6,221**	4,800	3,525
Taxation	**(953)**	(754)	(1,356)
Profit after taxation for the year	**5,268**	4,046	2,169

Other reconciling items between segment profit and operating profit comprise items not specifically allocated to segment profit. These include impairment and amortisation of intangible assets; major restructuring costs, which include impairments of tangible assets and computer software; transaction-related adjustments related to significant acquisitions; proceeds and costs of disposals of associates, products and businesses, significant legal charges and expenses on the settlement of litigation and government investigations, other operating income other than royalty income and other items, and the pre-tax impact of the enactment of the US Tax Cuts and Jobs Act.

Depreciation and amortisation by segment	2019 £m	2018 £m	2017 £m
Pharmaceuticals	**606**	506	551
Pharmaceuticals R&D	**230**	123	96
Pharmaceuticals, including R&D	**836**	629	647
Vaccines	**418**	395	405
Consumer Healthcare	**224**	146	135
Segment depreciation and amortisation	**1,478**	1,170	1,187
Corporate and other unallocated depreciation and amortisation	**79**	106	144
Other reconciling items between segment depreciation and amortisation and total depreciation and amortisation	**777**	580	591
Total depreciation and amortisation	**2,334**	1,856	1,922

6. Turnover and segment information continued

PP&E, intangible asset and goodwill impairment by segment	2019 £m	2018 £m	2017 £m
Pharmaceuticals	**137**	51	38
Pharmaceuticals R&D	**16**	15	10
Pharmaceuticals, including R&D	**153**	66	48
Vaccines	**33**	5	13
Consumer Healthcare	**–**	4	10
Segment impairment	**186**	75	71
Corporate and other unallocated impairment	**19**	14	3
Other reconciling items between segment impairment and total impairment	**621**	261	995
Total impairment	**826**	350	1,069

PP&E and intangible asset impairment reversals by segment			
Pharmaceuticals	**(6)**	(4)	(13)
Pharmaceuticals R&D	**–**	(1)	(2)
Pharmaceuticals, including R&D	**(6)**	(5)	(15)
Vaccines	**(1)**	–	–
Consumer Healthcare	**–**	–	(1)
Segment impairment reversals	**(7)**	(5)	(16)
Corporate and other unallocated impairment reversals	**(3)**	–	–
Other reconciling items between segment impairment reversals and total impairment reversals	**(15)**	(8)	(36)
Total impairment reversals	**(25)**	(13)	(52)

Net assets by segment	2019 £m	2018 £m
Pharmaceuticals	**1,722**	869
Pharmaceuticals R&D	**4,503**	502
Pharmaceuticals, including R&D	**6,225**	1,371
Vaccines	**8,828**	9,966
Consumer Healthcare	**26,328**	10,559
Segment net operating assets	**41,381**	21,896
Corporate and other unallocated net operating assets	**1,446**	1,141
Net operating assets	**42,827**	23,037
Net debt	**(25,215)**	(21,621)
Investments in associates and joint ventures	**314**	236
Derivative financial instruments	**335**	129
Current and deferred taxation	**(270)**	1,723
Assets held for sale (excluding cash and cash equivalents)	**366**	168
Net assets	**18,357**	3,672

The Pharmaceuticals segment includes the Shionogi-ViiV Healthcare contingent consideration liability of £5,103 million (2018 – £5,937 million) and the Pfizer put option of £1,011 million (2018 – £1,240 million). Net assets in the Pharmaceuticals and Consumer Healthcare segments have increased during the year, following the acquisitions of Tesaro and the Pfizer consumer healthcare business, respectively.

Notes to the financial statements continued

6. Turnover and segment information continued

Geographical information

The UK is regarded as being the Group's country of domicile.

Turnover by location of customer	2019 £m	2018 £m	2017 £m
UK	**942**	923	940
US	**13,890**	11,982	11,263
Rest of World	**18,922**	17,916	17,983
External turnover	**33,754**	30,821	30,186

Non-current assets by location of subsidiary	2019 £m	2018 £m
UK	**6,116**	6,118
US	**19,483**	7,540
Rest of World	**27,696**	20,768
Non-current assets	**53,295**	34,426

Non-current assets by location excludes amounts relating to other investments, deferred tax assets, derivative financial instruments, pension assets, amounts receivable under insurance contracts and certain other non-current receivables.

7. Other operating income/(expense)

	2019 £m	2018 £m	2017 £m
Fair value remeasurements of equity investments under IFRS 9	**(14)**	(20)	–
Disposal of businesses and assets	**541**	258	195
Fair value remeasurements on contingent consideration recognised in business combinations	**(92)**	(1,252)	(1,012)
Remeasurement of ViiV Healthcare put option liabilities and preferential dividends	**234**	58	13
Remeasurement of Consumer Healthcare put option liability	**–**	(658)	(1,186)
Fair value adjustments on derivative financial instruments	**–**	(3)	9
Other income/(expense)	**20**	(11)	9
Impairment of available-for-sale equity investments under IAS 39	**–**	–	(30)
Disposal of available-for-sale equity investments under IAS 39	**–**	–	37
	689	(1,588)	(1,965)

Disposal of businesses and assets in 2019 included a profit on disposal of rabies and tick-borne encephalitis vaccines of £306 million and a gain arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands of £143 million including fair value movements on related derivatives.

Fair value remeasurements on contingent consideration recognised in business combinations included £31 million related to the acquisition of the former Shionogi-ViiV Healthcare joint venture and £67 million related to the Vaccines acquisition from Novartis, together with fair value movements on related hedging contracts.

8. Operating profit

The following items have been included in operating profit:	2019 £m	2018 £m	2017 £m
Employee costs (Note 9)	**9,855**	9,440	9,122
Advertising	**1,567**	1,376	1,351
Distribution costs	**393**	389	405
Depreciation of property, plant and equipment	**1,017**	954	988
Impairment of property, plant and equipment, net of reversals	**669**	203	327
Depreciation of right of use assets	**214**		
Impairment of right of use assets	**2**		
Amortisation of intangible assets	**1,103**	902	934
Impairment of intangible assets, net of reversals	**126**	134	690
Impairment of goodwill allocated to a disposal group, net of reversals	**4**	–	–
Net foreign exchange (gains)/losses	**(37)**	81	215
Inventories:			
Cost of inventories included in cost of sales	**9,482**	8,713	8,526
Write-down of inventories	**578**	695	701
Reversal of prior year write-down of inventories	**(230)**	(302)	(352)
Short-term lease charge	**12**		
Low-value lease charge	**4**		
Variable lease payments	**13**		
Operating lease rentals:			
Minimum lease payments		188	110
Contingent rents		12	4
Sub-lease payments		5	5
Fees payable to the company's auditor and its associates in relation to the Group (see below)	**30.4**	29.8	29.2

The reversals of prior year write-downs of inventories principally arise from the reassessment of usage or demand expectations prior to inventory expiration.

Net foreign exchange gains include a net gain of £75 million (2018 – £nil; 2017 – £109 million loss) arising on the reclassification of exchange on liquidation or disposal of overseas subsidiaries.

Included within operating profit are Major restructuring charges of £1,105 million (2018 – £809 million; 2017 – £1,056 million), see Note 10, 'Major restructuring costs'.

Fees payable to the company's auditor and its associates:	2019 £m	2018 £m	2017 £m
Audit of parent company and consolidated financial statements including attestation under s.404 of Sarbanes-Oxley Act 2002	**15.6**	13.3	11.5
Audit of the company's subsidiaries	**13.5**	12.9	16.2
Total audit services	**29.1**	26.2	27.7
Taxation compliance	**–**	0.1	0.2
Taxation advice	**–**	–	0.1
Audit related and other assurance services	**1.2**	3.0	1.0
All other services	**0.1**	0.5	0.2
Total audit-related and non-audit services	**1.3**	3.6	1.5
	30.4	29.8	29.2

The other assurance services provided by the auditor related to agreed upon procedures and other assurance services outside of statutory audit requirements. All other services provided by the auditor primarily related to advisory services for the year ended 31 December 2019.

In addition to the above, fees paid to the auditor in respect of the GSK pension schemes were:

	2019 £m	2018 £m	2017 £m
Audit	**0.2**	0.3	0.3
Other services	**–**	–	0.1

Fees of £0.8 million (2018 – £nil, 2017 – £nil) were also paid to other auditors in respect of audits of certain of the company's subsidiaries acquired during the year.

Notes to the financial statements continued

9. Employee costs

	2019 £m	2018 £m	2017 £m
Wages and salaries	**7,583**	7,203	7,116
Social security costs	**852**	795	802
Pension and other post-employment costs, including augmentations (Note 30)	**560**	586	616
Cost of share-based incentive plans	**432**	393	347
Severance and other costs from integration and restructuring activities	**428**	463	241
	9,855	9,440	9,122

The increase in wages and salaries included the impact of movements in exchange rates. The Group provides benefits to employees, commensurate with local practice in individual countries, including, in some markets, healthcare insurance, subsidised car schemes and personal life assurance.

The cost of share-based incentive plans is analysed as follows:

	2019 £m	2018 £m	2017 £m
Share Value Plan	**302**	304	276
Performance Share Plan	**58**	49	47
Share option plans	**4**	4	4
Cash settled and other plans	**68**	36	20
	432	393	347

The average monthly number of persons employed by the Group (including Directors) during the year was:

	2019 Number	2018 Number	2017 Number
Manufacturing	**36,653**	37,296	38,632
Selling, general and administration	**48,535**	47,887	49,141
Research and development	**12,026**	11,668	11,576
	97,214	96,851	99,349

The average monthly number of Group employees excludes temporary and contract staff. The numbers of Group employees at the end of each financial year are given in the financial record on page 265.

The compensation of the Directors and Senior Management (members of the CET) in aggregate, was as follows:

	2019 £m	2018 £m	2017 £m
Wages and salaries	**28**	29	26
Social security costs	**4**	3	4
Pension and other post-employment costs	**3**	3	3
Cost of share-based incentive plans	**27**	20	22
	62	55	55

Further information on the remuneration of the Directors is given in the Remuneration report on pages 116 to 150.

10. Major restructuring costs

Within the Pharmaceuticals sector, the highly regulated manufacturing operations and supply chains and long lifecycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board-approved Major restructuring programmes, including integration costs following material acquisitions, which are structural and are of a significant scale where the costs of individual or related projects exceed £25 million.

The existing Combined restructuring and integration programme incorporates the previous Major Change programme, the Pharmaceuticals restructuring programme and the restructuring and integration programme following the Novartis transaction in 2015. This programme is now substantially complete. In July 2018, the Board-approved a Major restructuring programme, designed to significantly improve the competitiveness and efficiency of the Group's cost base with savings delivered primarily through supply chain optimisation and reductions in administrative costs. In February 2019, the Board-approved a new Major restructuring programme to generate synergies from the integration of the Pfizer consumer healthcare business into GSK's Consumer Healthcare business.

The total restructuring costs of £1,105 million in 2019 were incurred in the following areas:

– Manufacturing site restructuring, including at Worthing, United Kingdom and Cork, Ireland

– Restructuring following the integration of the Pfizer consumer healthcare business into GSK Consumer Healthcare

– Restructuring of the Pharmaceutical and Consumer Healthcare supply chains leading to simplification of the operating model and improved resource allocation

– Continued transformation of central functions, including GSK technology platforms and interfaces, to deliver greater digital synergies, simplification of applications and staff reductions.

The analysis of the costs charged to operating profit under these programmes was as follows:

	2019 £m	2018 £m	2017 £m
Increase in provision for Major restructuring programmes (see Note 31)	**345**	450	259
Amount of provision reversed unused (see Note 31)	**(148)**	(99)	(43)
Impairment losses recognised	**521**	130	278
Other non-cash charges	**99**	72	247
Other cash costs	**288**	256	315
	1,105	809	1,056

Provision reversals of £148 million (2018 – £99 million, 2017 – £43 million) reflected provision releases for the Combined restructuring and integration programme. Asset impairments of £521 million and other non-cash charges of £99 million principally comprised fixed asset write-downs across manufacturing and research facilities and accelerated depreciation where asset lives in R&D and manufacturing have been shortened as a result of the Major restructuring programmes. All other charges have been or will be settled in cash and include the termination of leases, site closure costs, consultancy and project management costs.

The analysis of Major restructuring charges by programme was as follows:

			2019
	Cash £m	Non-cash £m	Total £m
2018 major restructuring programme (including Tesaro)	227	572	799
Consumer Healthcare Joint Venture integration programme	248	4	252
Combined restructuring and integration programme	10	44	54
	485	620	1,105

The analysis of Major restructuring charges by income statement line was as follows:

	2019 £m	2018 £m	2017 £m
Cost of sales	**658**	443	545
Selling, general and administration	**332**	315	248
Research and development	**114**	49	263
Other operating expense	**1**	2	–
	1,105	809	1,056

Notes to the financial statements continued

11. Finance income

	2019 £m	2018 £m	2017 £m
Years to 31 December 2019 and 31 December 2018 under IFRS 9			
Finance income arising from:			
Financial assets measured at amortised cost	**69**	73	
Financial assets measured at fair value through profit or loss	**10**	1	
Net gains arising from the forward element of forward contracts in net investment hedge relationships	**19**	7	
Year to 31 December 2017 under IAS 39			
Interest income arising from:			
Cash and cash equivalents			60
Available-for-sale investments			2
Loans and receivables			1
Fair value adjustments on derivatives at fair value through profit or loss			2
	98	81	65

Finance income arising from financial assets measured at amortised cost in 2019 and 2018 includes interest income arising from assets which would have been classified as available-for-sale investments and loans and receivables in 2017 under IAS 39. This also includes interest income arising from certain cash and cash equivalents. Finance income arising from financial assets measured at fair value through profit or loss in 2019 and 2018 includes interest income arising from other cash and cash equivalents.

Net gains arising from hedge ineffectiveness on net investment hedges were recorded in 'Fair value adjustments on derivatives at fair value through profit or loss' in 2017. All derivatives accounted for at fair value through profit or loss other than designated and effective hedging instruments (see Note 43, 'Financial instruments and related disclosures') are classified as held-for-trading financial instruments.

12. Finance expense

	2019 £m	2018 £m	2017 £m
Finance expense arising on:			
Financial liabilities at amortised cost	**(832)**	(677)	(698)
Derivatives at fair value through profit or loss	**(6)**	(38)	(22)
Net losses arising from:			
Financial instruments mandatorily measured at fair value through profit or loss	**(1)**	3	(4)
Reclassification of hedges from other comprehensive income	**(2)**	(2)	–
Unwinding of discounts on provisions	**(8)**	(15)	(16)
Finance expense arising on lease liabilities	**(39)**	(2)	(1)
Other finance expense	**(24)**	(67)	7
	(912)	(798)	(734)

All derivatives accounted for at fair value through profit or loss, other than designated and effective hedging instruments (see Note 43, 'Financial instruments and related disclosures'), are classified as held-for-trading financial instruments. Finance expense arising on derivatives at fair value through profit or loss relates to swap interest expense. The prior year figures in finance expense arising on lease liabilities related to interest arising on finance leases under the previous leasing standard, IAS 17, which was originally reported in 'Other finance expense'. In 2018, other finance expense included a £39 million charge for interest relating to historical income tax settlements.

13. Associates and joint ventures

The Group's share of after-tax profits and losses of associates and joint ventures is set out below:

	2019 £m	2018 £m	2017 £m
Share of after-tax profits of associates	**85**	28	16
Share of after-tax (losses)/profits of joint ventures	**(11)**	3	(3)
	74	31	13

At 31 December 2019, the Group held one significant associate, Innoviva, Inc.

Summarised income statement information in respect of Innoviva is set out below. The Group's 2019 share of after-tax profits of associates and other comprehensive income includes a profit of £79 million and other comprehensive income of £nil in respect of Innoviva.

The results of Innoviva included in the summarised income statement information below represent the estimated earnings of Innoviva in the relevant periods, based on publicly available information at the balance sheet date. Innoviva's turnover arises from royalty income from GSK in relation to *Relvar/Breo Ellipta, Anoro Ellipta* and *Trelegy Ellipta* sales.

	2019 £m	2018 £m	2017 £m
Turnover	**193**	183	165
Profit after taxation	**116**	134	103
Other comprehensive income	**–**	–	–
Total comprehensive income	**116**	134	103

The estimated results of Innoviva for 2018 exclude a deferred tax credit of £163 million which was not announced by Innoviva until after the Group finalised its results for 2018. Accordingly, GSK's share of this credit of £51 million has been recognised in the share of after-tax profits of associates in 2019.

Aggregated financial information in respect of GSK's share of other associated undertakings and joint ventures is set out below:

	2019 £m	2018 £m	2017 £m
Share of turnover	**32**	242	252
Share of after-tax (losses)/profits	**(5)**	(2)	(5)
Share of other comprehensive income	**1**	–	–
Share of total comprehensive (expense)/income	**(5)**	(2)	(5)

The Group's sales to associates and joint ventures were £11 million in 2019 (2018 – £43 million; 2017 – £41 million).

Notes to the financial statements continued

14. Taxation

The Group's tax charge is the sum of the total current and deferred tax expense.

Taxation charge based on profits for the year	2019 £m	2018 £m	2017 £m
UK current year charge	**149**	234	199
Rest of World current year charge	**1,407**	1,426	1,928
Credit in respect of prior periods	**(420)**	(492)	(508)
Current taxation	**1,136**	1,168	1,619
Deferred taxation	**(183)**	(414)	(263)
	953	754	1,356

In 2019, GSK made payments of £163 million in UK corporation tax to HMRC. These amounts are for UK corporation tax only, and do not include the various other business taxes borne in the UK by GSK each year.

The deferred tax credit in 2019 reflected the origination of current year expenses where offset against taxable profits in future periods is probable. In 2018, this also included an uplift in the tax carrying value of certain Consumer Healthcare brands as a result of the acquisition of Novartis' interest in the former Consumer Healthcare Joint Venture.

The deferred tax credit in 2017 reflected the revaluation of existing deferred tax liabilities to reflect a lower Swiss tax rate applicable following Swiss tax reform and an increase in deferred tax assets related to intra-Group profit on inventory. The impact of these items was partly offset by the revaluation of existing deferred tax assets to reflect the lower US tax rate applicable following the enactment of US tax reform.

The following table reconciles the tax charge calculated at the UK statutory rate on the Group profit before tax with the actual tax charge for the year.

Reconciliation of taxation on Group profits	2019 £m	2019 %	2018 (revised) £m	2018 %	2017 (revised) £m	2017 %
Profit before tax	**6,221**		4,800		3,525	
UK statutory rate of taxation	**1,182**	**19.0**	912	19.0	679	19.3
Differences in overseas taxation rates	**667**	**10.7**	635	13.2	586	16.6
Benefit of intellectual property incentives	**(691)**	**(11.1)**	(482)	(10.0)	(410)	(11.6)
R&D credits	**(119)**	**(1.9)**	(73)	(1.5)	(75)	(2.1)
Fair value remeasurement of non-taxable put options	**(45)**	**(0.7)**	221	4.6	227	6.5
Tax losses where no benefit is recognised	**15**	**0.2**	24	0.5	28	0.8
Permanent differences on disposals and acquisitions	**68**	**1.1**	(7)	(0.1)	4	0.1
Other permanent differences	**119**	**1.9**	53	1.1	162	4.6
Re-assessments of prior year estimates	**(364)**	**(5.9)**	(436)	(9.1)	(475)	(13.5)
Changes in tax rates	**121**	**2.0**	(93)	(1.9)	629	17.8
Tax charge/tax rate	**953**	**15.3**	754	15.7	1,356	38.5

GSK has a substantial business presence in many countries around the world. The impact of differences in overseas taxation rates arose from profits being earned in countries with tax rates higher than the UK statutory rate, the most significant of which in 2019 were the US, Belgium, India and Japan. The adverse impact was partly offset by the increased benefit of intellectual property incentives such as the UK Patent Box and Belgian Patent Income Deduction regimes. Such regimes provide a reduced rate of corporate income tax on profits earned from qualifying patents. We claim these incentives in the manner intended by the relevant statutory or regulatory framework.

In 2019, 'Changes in tax rates' included items of expense where tax relief will only be available in future periods at lower rates due to the reduction in statutory tax rates in the UK and Belgium to 17% and 25% respectively. The impact of US and Swiss tax reform has been incorporated into the 'Changes in tax rates' category for the years 2017 and 2018. The respective values are £595 million debit and £125 million credit.

The Group's 2019 tax rate of 15.3% has been influenced by the reassessment of open issues with tax authorities in various jurisdictions and fair value accounting movements on the Group's put option liabilities to ViiV Healthcare and on hedges against shares in Hindustan Unilever Limited to be received on disposal of Horlicks and other Consumer Healthcare brands.

Future tax charges, and therefore our effective tax rate, may be affected by factors such as acquisitions, disposals, restructurings, the location of research and development activity, tax regime reforms and resolution of open matters as we continue to bring our tax affairs up to date around the world.

14. Taxation continued

Tax on items charged to equity and statement of comprehensive income	2019 £m	2018 £m	2017 £m
Current taxation			
Share-based payments	**1**	–	–
Defined benefit plans	**16**	(2)	26
	17	(2)	26
Deferred taxation			
Share-based payments	**18**	2	(4)
Defined benefit plans	**173**	(144)	(247)
Fair value movements on cash flow hedges	**16**	(2)	–
Fair value movements on equity investments	**(95)**	10	29
	112	(134)	(222)
Total credit/(charge) to equity and statement of comprehensive income	**129**	(136)	(196)

All of the above items have been charged to the statement of comprehensive income except for tax on share-based payments.

Issues relating to taxation

The integrated nature of the Group's worldwide operations involves significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets. In line with current OECD guidelines we base our transfer pricing policy on the 'arm's length' principle. However, different tax authorities may seek to attribute further profit to activities being undertaken in their jurisdiction potentially resulting in double taxation. The Group also has open items in several jurisdictions concerning such matters as the deductibility of particular expenses and the tax treatment of certain business transactions. GSK applies a risk based approach to determine the transactions most likely to be subject to challenge, assuming the relevant tax authority will review and have full knowledge of all the relevant information, and the probability that the Group would be able to obtain compensatory adjustments under international tax treaties.

The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement in respect of certain items where the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. At 31 December 2019 the Group had recognised provisions of £933 million in respect of such uncertain tax positions (2018 – £1,082 million). The decrease in recognised provisions during 2019 was driven by the reassessment of estimates and the utilisation of provisions for uncertain tax positions following the settlement of a number of open issues with tax authorities in various jurisdictions. Whilst the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with the relevant tax authorities, or litigation where appropriate, the Group continues to believe that it has made appropriate provision for periods which are open and not yet agreed by the tax authorities.

A provision for deferred tax liabilities of £198 million as at 31 December 2019 (2018 – £185 million) has been made in respect of taxation that would be payable on the remittance of profits by certain overseas subsidiaries. Whilst the aggregate amount of unremitted profits at the balance sheet date was approximately £19 billion (2018 – £18 billion), the majority of these unremitted profits would not be subject to tax (including withholding tax) on repatriation, as UK legislation relating to company distributions provides for exemption from tax for most overseas profits, subject to certain exceptions. Deferred tax is not provided on temporary differences of £326 million (2018 – £231 million) arising on unremitted profits as management has the ability to control any future reversal and does not consider such a reversal to be probable.

Notes to the financial statements continued

14. Taxation continued

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £m	Intangible assets £m	Contingent consideration £m	Intra-Group profit £m	Pensions & other post employment benefits £m	Tax losses £m	Share option and award schemes £m	Other net temporary differences £m	Total £m
At 1 January 2018	(317)	(1,320)	868	1,017	760	261	74	1,057	2,400
Exchange adjustments	(6)	(4)	–	43	38	2	2	9	84
Credit/(charge) to income statement	(12)	365	(34)	(31)	33	183	(7)	(101)	396
Credit/(charge) to statement of comprehensive income and equity	–	–	–	–	(144)	–	2	8	(134)
Reclassification on disposal	–	–	–	–	7	1	–	(23)	(15)
At 31 December 2018	(335)	(959)	834	1,029	694	447	71	950	2,731
Implementation of IFRS 16	40	–	–	–	–	–	–	–	40
At 31 December 2018, as adjusted	(295)	(959)	834	1,029	694	447	71	950	2,771
Exchange adjustments	17	88	–	(8)	(40)	(8)	(1)	55	103
Credit/(charge) to income statement	35	(204)	(77)	59	9	225	(7)	143	183
Credit/(charge) to statement of comprehensive income and equity	–	–	–	–	186	–	18	(92)	112
Acquisitions and disposals	1	(3,117)	–	40	15	278	–	(60)	(2,843)
R&D credits utilisation	–	–	–	–	–	–	–	(40)	(40)
At 31 December 2019	(242)	(4,192)	757	1,120	864	942	81	956	286

Deferred tax liabilities provided in relation to intangible assets predominately relate to temporary differences arising on assets and liabilities acquired as part of historic business combinations. Acquisitions and disposals in 2019 included deferred tax liabilities of £2,591 million related to the Pfizer consumer healthcare business acquisition and £252 million related to the Tesaro acquisition.

The Group continues to recognise deferred tax assets on future obligations in respect of contingent consideration amounts payable to minority shareholders. These payments are tax deductible at the point in time at which payment is made.

A deferred tax asset is recognised on intra-Group profits arising on inter-company inventory which are eliminated within the consolidated accounts. As intra-Group profits are not eliminated from the individual entities' tax returns a temporary difference arises that will reverse at the point in time inventory is sold externally.

The deferred tax asset recognised on tax losses of £942 million (2018 – £447 million) relates to trading losses. Included in this amount are deferred tax assets of £237 million in relation to losses which are recognised on the basis that sufficient future taxable profits to utilise the losses are forecast in the entities to which the losses relate. Other net temporary differences included accrued expenses for which a tax deduction was only available on a paid basis, such as for pensions.

Deferred tax asset and liabilities are recognised on the balance sheet as follows:

	2019 £m	2018 £m
Deferred tax assets	**4,096**	3,887
Deferred tax liabilities	**(3,810)**	(1,156)
	286	2,731

Deferred tax assets are recognised on US foreign tax credits only where it is probable that future taxable profits will be available. The net amount of foreign tax credits on which deferred tax has not been provided was £93 million (2018 – £114 million).

	2019		2018	
Unrecognised tax losses	**Tax losses £m**	**Unrecognised deferred tax asset £m**	Tax losses £m	Unrecognised deferred tax asset £m
Trading losses expiring:				
Within 10 years	**556**	**117**	678	148
More than 10 years	**838**	**108**	957	93
Available indefinitely	**159**	**27**	89	15
At 31 December	**1,553**	**252**	1,724	256
Capital losses expiring:				
Available indefinitely	**2,148**	**355**	2,042	399
At 31 December	**2,148**	**355**	2,042	399

15. Earnings per share

	2019 pence	2018 pence	2017 pence
Basic earnings per share	**93.9**	73.7	31.4
Diluted earnings per share	**92.6**	72.9	31.0

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period after deducting shares held by the ESOP Trusts and Treasury shares. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share forms part of the employee share schemes where its exercise price is below the average market price of GSK shares during the period and any performance conditions attaching to the scheme have been met at the balance sheet date.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below.

Weighted average number of shares in issue	2019 millions	2018 millions	2017 millions
Basic	**4,947**	4,914	4,886
Dilution for share options and awards	**69**	57	55
Diluted	**5,016**	4,971	4,941

16. Dividends

	2019				2018			2017	
	Paid/payable	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m
First interim	**11 July 2019**	**19**	**940**	12 July 2018	19	934	13 July 2017	19	928
Second interim	**10 October 2019**	**19**	**941**	11 October 2018	19	934	12 October 2017	19	929
Third interim	**9 January 2020**	**19**	**941**	10 January 2019	19	935	11 January 2018	19	929
Fourth interim	**9 April 2020**	**23**	**1,139**	11 April 2019	23	1,137	12 April 2018	23	1,130
Total		**80**	**3,961**		80	3,940		80	3,916

Under IFRS, interim dividends are only recognised in the financial statements when paid and not when declared. GSK normally pays a dividend two quarters after the quarter to which it relates and one quarter after it is declared. The 2019 financial statements recognise those dividends paid in 2019, namely the third and fourth interim dividends for 2018, and the first and second interim dividends for 2019.

The amounts recognised in each year were as follows:

	2019 £m	2018 £m	2017 £m
Dividends to shareholders	**3,953**	3,927	3,906

Notes to the financial statements continued

17. Property, plant and equipment

	Land and buildings £m	Plant, equipment and vehicles £m	Assets in construction £m	**Total £m**
Cost at 1 January 2018	7,467	11,751	2,501	**21,719**
Exchange adjustments	150	187	25	**362**
Other additions	33	190	1,135	**1,358**
Capitalised borrowing costs	–	–	21	**21**
Disposals and write-offs	(90)	(440)	(53)	**(583)**
Reclassifications	403	1,016	(1,486)	**(67)**
Transfer to assets held for sale	(152)	(167)	(3)	**(322)**
Cost at 31 December 2018	7,811	12,537	2,140	**22,488**
Implementation of IFRS 16	(64)	(106)	–	(170)
At 31 December 2018, as adjusted	7,747	12,431	2,140	**22,318**
Exchange adjustments	(254)	(381)	(70)	**(705)**
Additions through business combinations	149	177	34	**360**
Other additions	42	154	1,084	**1,280**
Capitalised borrowing costs	–	–	25	**25**
Disposals and write-offs	(34)	(528)	(11)	**(573)**
Reclassifications	243	919	(1,231)	**(69)**
Transfer to assets held for sale	(261)	(711)	(65)	**(1,037)**
Cost at 31 December 2019	7,632	12,061	1,906	**21,599**
Depreciation at 1 January 2018	(3,036)	(7,260)	–	**(10,296)**
Exchange adjustments	(61)	(111)	–	**(172)**
Charge for the year	(268)	(686)	–	**(954)**
Disposals and write-offs	77	401	–	**478**
Transfer to assets held for sale	55	122	–	**177**
Depreciation at 31 December 2018	(3,233)	(7,534)	–	**(10,767)**
Implementation of IFRS 16	30	42	–	**72**
At 31 December 2018, as adjusted	(3,203)	(7,492)	–	**(10,695)**
Exchange adjustments	74	196	–	**270**
Charge for the year	(265)	(752)	–	**(1,017)**
Disposals and write-offs	19	380	–	**399**
Transfer to assets held for sale	159	477	–	**636**
Depreciation at 31 December 2019	(3,216)	(7,191)	–	**(10,407)**
Impairment at 1 January 2018	(161)	(359)	(43)	**(563)**
Exchange adjustments	(8)	(4)	(1)	**(13)**
Disposals and write-offs	10	59	22	**91**
Impairment losses	(16)	(143)	(46)	**(205)**
Reversal of impairments	1	6	–	**7**
Transfer to assets held for sale	–	20	–	**20**
Impairment at 31 December 2018	(174)	(421)	(68)	**(663)**
Implementation of IFRS 16	–	–	–	**–**
At 31 December 2018, as adjusted	(174)	(421)	(68)	**(663)**
Exchange adjustments	13	11	6	**30**
Disposals and write-offs	2	77	36	**115**
Impairment losses	(312)	(329)	(38)	**(679)**
Reversal of impairments	2	8	–	**10**
Transfer to assets held for sale	90	209	44	**343**
Impairment at 31 December 2019	(379)	(445)	(20)	**(844)**
Total depreciation and impairment at 31 December 2018	(3,407)	(7,955)	(68)	**(11,430)**
Total depreciation and impairment at 31 December 2019	(3,595)	(7,636)	(20)	**(11,251)**
Net book value at 1 January 2018	4,270	4,132	2,458	**10,860**
Net book value at 31 December 2018	4,404	4,582	2,072	**11,058**
Net book value at 31 December 2019	4,037	4,425	1,886	**10,348**

17. Property, plant and equipment continued

The weighted average interest rate for capitalised borrowing costs in the year was 3% (2018 – 3%). Disposals and write-offs in the year included a number of assets with nil net book value that are no longer in use in the business.

The impairment losses principally arose from decisions to rationalise facilities and are calculated based on either fair value less costs of disposal or value in use. The fair value less costs of disposal valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. These calculations determine the net present value of the projected risk-adjusted, post-tax cash flows of the relevant asset or cash generating unit, applying a discount rate of the Group post-tax weighted average cost of capital (WACC) of 7%, adjusted where appropriate for specific segment, country and currency risk. For value in use calculations, the post-tax cash flows do not include the impact of future uncommitted restructuring plans or improvements. Where an impairment is indicated and a pre-tax cash flow calculation is expected to give a materially different result, the test would be reperformed using pre-tax cash flows and a pre-tax discount rate. The Group WACC is equivalent to a pre-tax discount rate of approximately 9%. The net impairment losses have been charged to cost of sales: £624 million (2018 – £142 million), R&D: £1 million (2018 – £9 million) and SG&A: £44 million (2018 – £54 million), and included £502 million (2018 – £138 million) arising from the Major restructuring programmes.

Reversals of impairment arose from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments were deemed no longer to apply. All of the reversals have been credited to cost of sales.

During 2019, £69 million (2018 – £67 million) of computer software was reclassified from assets in construction to intangible assets on becoming ready for use.

18. Right of use assets

	Land and buildings £m	Plant and equipment £m	Vehicles £m	**Total £m**
Net book value at 1 January 2019	907	27	137	**1,071**
Exchange adjustments	(28)	(2)	(6)	**(36)**
Additions through business combinations	66	11	2	**79**
Other additions	60	1	71	**132**
Depreciation	(145)	(8)	(61)	**(214)**
Disposals	(37)	(20)	(7)	**(64)**
Impairments	(2)	–	–	**(2)**
Reclassifications	–	13	(13)	**–**
Net book value at 31 December 2019	821	22	123	**966**

The total cash outflow for leases amounted to £214 million. There were no significant lease commitments for leases not commenced at year-end.

An analysis of lease liabilities is set out in Note 29, ‘Net debt’.

Notes to the financial statements continued

19. Goodwill

	2019 £m	2018 £m
Cost at 1 January	**5,789**	5,734
Exchange adjustments	**(277)**	199
Additions through business combinations (Note 40)	**5,023**	–
Transfer from/(to) assets held for sale	**27**	(144)
Cost at 31 December	**10,562**	5,789
Net book value at 1 January	**5,789**	5,734
Net book value at 31 December	**10,562**	5,789

Goodwill is allocated to the Group's segments as follows:

	2019 £m	2018 £m
Pharmaceuticals	**4,316**	3,273
Vaccines	**1,280**	1,342
Consumer Healthcare	**4,966**	1,174
Net book value at 31 December	**10,562**	5,789

The recoverable amounts of the cash generating units are assessed using a fair value less costs of disposal model. Fair value less costs of disposal is calculated using a discounted cash flow approach, with a post-tax discount rate applied to the projected risk-adjusted post-tax cash flows and terminal value.

The discount rate used is based on the Group WACC of 7%, as most cash generating units have integrated operations across large parts of the Group. The discount rate is adjusted where appropriate for specific segment, country and currency risks. The valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as level 3 in the fair value hierarchy.

Details relating to the discounted cash flow models used in the impairment tests of the Pharmaceuticals, Vaccines and Consumer Healthcare cash generating units are as follows:

Valuation basis	Fair value less costs of disposal		
Key assumptions	Sales growth rates Profit margins Terminal growth rate Discount rate Taxation rate		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information. Margins reflect past experience, adjusted for expected changes. Terminal growth rates based on management's estimate of future long-term average growth rates. Discount rates based on Group WACC, adjusted where appropriate. Taxation rates based on appropriate rates for each region.		
Period of specific projected cash flows	Five years		
Terminal growth rate and discount rate		Terminal growth rate	Discount rate
	Pharmaceuticals	1% p.a.	7.5%
	Vaccines	1% p.a.	7.5%
	Consumer Healthcare	2% p.a.	6%

The terminal growth rates do not exceed the long-term projected growth rates for the relevant markets, reflect the impact of future generic competition and take account of new product launches.

Goodwill is monitored for impairment at the segmental level. In each case the valuations indicated sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

The Pharmaceuticals cash generating unit comprises a collection of smaller cash generating units including assets with indefinite lives with a carrying value of £nil (2018 – £236 million). The Consumer Healthcare cash generating unit also comprises a collection of smaller cash generating units including brands with indefinite lives with a carrying value of £19.6 billion (2018 – £8.5 billion).

Details of indefinite life brands are given in Note 20, 'Other intangible assets'.

20. Other intangible assets

	Computer software £m	Licences, patents, amortised brands etc. £m	Indefinite life brands £m	**Total £m**
Cost at 1 January 2018	2,174	15,764	8,993	**26,931**
Exchange adjustments	32	264	63	**359**
Capitalised development costs	–	203	–	**203**
Capitalised borrowing costs	1	–	–	**1**
Other additions	173	154	–	**327**
Disposals and asset write-offs	(80)	(129)	–	**(209)**
Transfer to assets held for sale	(2)	(90)	–	**(92)**
Reclassifications	67	–	–	**67**
Cost at 31 December 2018	2,365	16,166	9,056	**27,587**
Exchange adjustments	(37)	(418)	(1,037)	**(1,492)**
Capitalised development costs	–	239	–	**239**
Capitalised borrowing costs	1	–	–	**1**
Additions through business combinations	31	3,091	12,357	**15,479**
Other additions	197	465	–	**662**
Disposals and asset write-offs	(235)	(7)	–	**(242)**
Transfer to assets held for sale	(7)	(62)	(227)	**(296)**
Reclassifications	82	242	(255)	**69**
Cost at 31 December 2019	2,397	19,716	19,894	**42,007**
Amortisation at 1 January 2018	(1,111)	(5,787)	–	**(6,898)**
Exchange adjustments	(24)	(107)	–	**(131)**
Charge for the year	(240)	(662)	–	**(902)**
Disposals and asset write-offs	67	124	–	**191**
Transfer to assets held for sale	1	19	–	**20**
Amortisation at 31 December 2018	(1,307)	(6,413)	–	**(7,720)**
Exchange adjustments	19	123	–	**142**
Charge for the year	(233)	(870)	–	**(1,103)**
Disposals and asset write-offs	215	4	–	**219**
Transfer to assets held for sale	4	42	–	**46**
Amortisation at 31 December 2019	(1,302)	(7,114)	–	**(8,416)**
Impairment at 1 January 2018	(9)	(2,207)	(255)	**(2,471)**
Exchange adjustments	–	(89)	–	**(89)**
Impairment losses	(17)	(51)	(69)	**(137)**
Reversal of impairments	–	3	–	**3**
Disposals and asset write-offs	14	4	–	**18**
Transfer to assets held for sale	–	11	–	**11**
Impairment at 31 December 2018	(12)	(2,329)	(324)	(2,665)
Exchange adjustments	2	70	–	72
Impairment losses	(48)	(84)	(3)	**(135)**
Reversal of impairments	–	10	–	**10**
Disposals and asset write-offs	19	3	–	**22**
Transfer to assets held for sale	2	5	53	**60**
Impairment at 31 December 2019	(37)	(2,325)	(274)	**(2,636)**
Total amortisation and impairment at 31 December 2018	(1,319)	(8,742)	(324)	**(10,385)**
Total amortisation and impairment at 31 December 2019	(1,339)	(9,439)	(274)	**(11,052)**
Net book value at 1 January 2018	1,054	7,770	8,738	**17,562**
Net book value at 31 December 2018	1,046	7,424	8,732	**17,202**
Net book value at 31 December 2019	1,058	10,277	19,620	**30,955**

The weighted average interest rate for capitalised borrowing costs in the year was 3% (2018 – 3%).

The net book value of computer software included £560 million (2018 – £578 million) of internally generated costs.

The carrying value at 31 December 2019 of intangible assets, for which impairments have been charged or reversed in the year, following those impairments or reversals, was £175 million (2018 – £73 million).

The patent expiry dates of the Group's most significant assets, where relevant, are set out on pages 272 and 273.

Notes to the financial statements continued

20. Other intangible assets continued

Amortisation and impairment losses, net of reversals, have been charged in the income statement as follows:

	Amortisation		Net impairment losses	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Cost of sales	**781**	593	**34**	69
Selling, general and administration	**163**	178	**43**	19
Research and development	**159**	131	**49**	46
	1,103	902	**126**	134

Licences, patents, amortised brands etc. includes a large number of acquired licences, patents, know-how agreements and marketing rights, which are either marketed or in use, or still in development. Note 40, 'Acquisitions and disposals' gives details of additions through business combinations in the year. The book values of the largest individual items are as follows:

	2019 £m	2018 £m
Zejula	**2,878**	–
Meningitis portfolio	**2,139**	2,363
Dolutegravir	**1,280**	1,319
Benlysta	**834**	905
BMS	**286**	277
Merck Assets	**264**	–
Fluarix/FluLaval	**237**	274
Stiefel trade name	**204**	–
Others	**2,155**	2,286
	10,277	7,424

The Meningitis portfolio includes *Menveo, Bexsero*, Men ABCWY and *Menjugate*. The Stiefel trade name has been moved into licences, patents, amortised brands etc. following the decision to start amortisation during 2019.

Indefinite life brands comprise a portfolio of Consumer Healthcare products primarily acquired with the acquisitions of Sterling Winthrop, Inc. in 1994, Block Drug Company, Inc. in 2001, CNS, Inc. in 2006, the Novartis consumer healthcare business in 2015 and the Pfizer consumer healthcare business in 2019. The book values of the major brands are as follows:

	2019 £m	2018 £m
Advil	**3,408**	–
Voltaren	**2,725**	*2,735*
Centrum	**1,808**	–
Caltrate	**1,648**	–
Otrivin	**1,385**	*1,385*
Preparation H	**1,171**	–
Robitussin	**1,138**	–
Nexium	**682**	–
Fenistil	**598**	*651*
Chapstick	**523**	–
Emergen-C	**447**	–
Theraflu	**438**	*449*
Panadol	**397**	*388*
Lamisil	**291**	*293*
Sensodyne	**270**	*265*
Breathe Right	**251**	*262*
Stiefel trade name	**–**	236
Others	**2,440**	2,068
	19,620	8,732

20. Other intangible assets continued

Each of these brands is considered to have an indefinite life, given the strength and durability of the brand and the level of marketing support. The brands are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the brands is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors which could limit their useful lives. Accordingly, they are not amortised.

Each brand is tested annually for impairment and other amortised intangible assets are tested when indicators of impairment arise. This testing applies a fair value less costs of disposal methodology, generally using post-tax cash flow forecasts with a terminal value calculation and a discount rate equal to the Group post-tax WACC of 7%, adjusted where appropriate for specific segment, country and currency risks. This valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. The main assumptions include future sales price and volume growth, product contribution, the future expenditure required to maintain the product's marketability and registration in the relevant jurisdictions and exchange rates. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rates applied of between -2% and 3% are management's estimates of future long-term average growth rates of the relevant markets. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of these intangible assets.

21. Investments in associates and joint ventures

	Joint ventures £m	Associates £m	**2019 Total £m**	Joint ventures £m	Associates £m	2018 Total £m
At 1 January	19	217	**236**	13	170	183
Exchange adjustments	(1)	(9)	**(10)**	1	11	12
Additions	16	11	**27**	1	9	10
Disposals	(1)	–	**(1)**	–	–	–
Distributions received	–	(7)	**(7)**	–	(40)	(40)
Other movements	(7)	2	**(5)**	1	39	40
Profit/(loss) after tax recognised in the consolidated income statement	(11)	85	**74**	3	28	31
At 31 December	15	299	**314**	19	217	236

The Group held one significant associate at 31 December 2019, Innoviva, Inc. At 31 December 2019, the Group owned 32 million shares or 31.6% of Innoviva, which is a biopharmaceutical company listed on NASDAQ. Innoviva partnered with GSK in the development of the long acting beta agonist, vilanterol, and currently receives royalty income from sales of products that contain this component, namely *Relvar/Breo Ellipta* and *Anoro Ellipta*. It also has a 15% economic interest in royalties paid by GSK on sales of *Trelegy Ellipta*. The remaining 85% of the economic interest in these royalties is held by Theravance Biopharma Inc., in which the Group holds 17% of the common stock. The investment in Innoviva had a market value of £343 million at 31 December 2019 (2018 – £440 million).

Summarised balance sheet information, based on information published post the balance sheet date, in respect of Innoviva is set out below:

	At 31 December 2019 £m	At 31 December 2018 £m
Non-current assets	**222**	275
Current assets	**326**	157
Current liabilities	**(4)**	(4)
Non-current liabilities	**(286)**	(302)
Net assets	**258**	126

The carrying value of the Group's investment in Innoviva is analysed as follows:

	2019 £m	2018 £m
Interest in net assets of associate	82	40
Goodwill	88	91
Fair value and other adjustments	91	58
Carrying value at 31 December	261	189

Notes to the financial statements continued

22. Other investments

	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2019 £m	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2018 £m
At 1 January	1,250	72	**1,322**	869	49	918
Additions	274	3	**277**	363	9	372
Net fair value movements through Other comprehensive income	314	–	**314**	166	–	166
Net fair value movements through profit or loss	–	(14)	**(14)**	–	20	20
Disposals and settlements	(57)	(5)	**(62)**	(89)	(6)	(95)
Transfers to Assets held for sale	–	–	**–**	(59)	–	(59)
At 31 December	1,781	56	**1,837**	1,250	72	1,322

Other investments comprise non-current equity investments which are recorded at fair value at each balance sheet date. For investments traded in an active market, the fair value is determined by reference to the relevant stock exchange quoted bid price. For other investments, the fair value is estimated by management with reference to relevant available information, including the current market value of similar instruments, recent financing rounds and discounted cash flows of the underlying net assets. Net fair value movements include the impact of exchange (losses of £66 million through Other comprehensive income and £2 million through profit or loss) (2018 – gains of £48 million and £4 million respectively). Other investments include listed investments of £1,128 million (2018 – £656 million).

GSK has elected to designate the majority of its equity investments as measured at fair value through other comprehensive income (FVTOCI). The most significant of these investments held at 31 December 2019 were in 23andMe in which the Group holds 14.5% of the common stock, Progyny, Inc. in which the Group holds 12.5%, Theravance Biopharma, Inc. in which the Group holds 17.0% and Lyell Immunopharma, Inc in which the Group holds 15.0%. These investments had a fair value at 31 December 2019 of £227 million (2018 – £229 million), £213 million (2018 – £21 million), £189 million (2018 – £194 million) and £155 million, respectively. No other investment is individually material. The other investments include equity stakes in companies with which GSK has research collaborations and in companies which provide access to biotechnology developments of potential interest.

On disposal of equity investments measured at FVTOCI, the accumulated fair value movements are reclassified from the fair value reserve to retained earnings. Investments with a fair value of £57 million (2018 – £148 million) were disposed of during the year. The cumulative gain on these investments after tax was £4 million (2018 – £56 million).

Certain other investments, such as investments in funds with limited lives, are measured at fair value through profit or loss (FVTPL). Investments with a fair value of £5 million were disposed of during the year.

Cumulative impairments on those Other investments designated as measured at FVTOCI under IFRS 9 were transferred from retained earnings to the fair value reserve on 1 January 2018 on adoption of IFRS 9.

23. Other non-current assets

	2019 £m	2018 £m
Amounts receivable under insurance contracts	**743**	675
Pension schemes in surplus	**127**	760
Other receivables	**150**	141
	1,020	1,576

Amounts receivable under insurance contacts are held at fair value through profit or loss.

Within the other receivables of £150 million (2018 – £141 million), £88 million (2018 – £89 million) is classified as financial assets of which £44 million (2018 – £41 million) is classified as fair value through profit or loss. On the remaining balance of £44 million (2018 – £48 million), the expected credit loss allowance was immaterial at 31 December 2019 and 2018.

24. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**1,195**	1,122
Work in progress	**2,505**	2,286
Finished goods	**2,247**	2,068
	5,947	5,476

25. Trade and other receivables

	2019 £m	2018 £m
Trade receivables, net of loss allowance	**5,487**	5,176
Accrued income	**7**	9
Other prepayments	**316**	330
Interest receivable	**3**	4
Employee loans and advances	**13**	14
Other receivables	**1,376**	890
	7,202	6,423

Trade receivables included £nil (2018 – £15 million) due from associates and joint ventures. Other receivables included £nil (2018 – £nil) due from associates and joint ventures.

Loss allowance	2019 £m	2018 £m
At 1 January	**128**	140
Implementation of IFRS 9	**–**	15
At 1 January, as adjusted	**128**	155
Exchange adjustments	**(3)**	–
Charge for the year	**16**	7
Subsequent recoveries of amounts provided for	**(5)**	(30)
Utilised	**(6)**	(4)
At 31 December	**130**	128

Of the total trade receivables balance, £110 million (2018 – £71 million) was considered credit impaired, against which a £11 million (2018 – £7 million) expected credit loss allowance has been applied. No amount was purchased or originated credit impaired.

Within the other receivables of £1,376 million (2018 – £890 million), £707 million (2018 – £376 million) was classified as financial assets of which £nil (2018 – £41 million) was classified as fair value through profit and loss. On the remaining balance of £707 million (2018 – £335 million), an expected credit loss allowance of £8 million (2018 – £5 million) was recognised at 31 December 2019 with no charge reported in profit or loss during the year.

For more discussion on credit risk practices, please refer to Note 43.

Notes to the financial statements continued

26. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**795**	569
Short-term deposits	**3,912**	3,305
	4,707	3,874

In addition, £507 million (2018 – £485 million) of cash and cash equivalents has been reported in Assets held for sale, see Note 27, 'Assets held for sale'.

Cash and cash equivalents included £0.2 billion (2018 – £0.2 billion) not available for general use due to restrictions applying in the subsidiaries where it is held. Restrictions include exchange controls and taxes on repatriation.

27. Assets held for sale

	2019 £m	2018 £m
Property, plant and equipment	**80**	109
Right of use assets	**7**	–
Lease liabilities	**(7)**	–
Goodwill	**124**	144
Other intangibles	**175**	1
Inventory	**109**	50
Cash and cash equivalents	**507**	485
Other	**(122)**	(136)
	873	653

Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered highly probable. They are held at the lower of carrying amount and fair value less costs to sell.

Assets held for sale primarily reflect the Thermacare disposal group, which was acquired from Pfizer as part of its consumer healthcare business and has to be sold by the Group in 2020 to meet anti-trust requirements and the disposal group representing the *Horlicks* and other Consumer Healthcare nutritional brands to be sold to Unilever plc.

Included within assets held for sale is inventory written down to fair value less costs to sell of £109 million (2018 – £50 million). The valuation methodology used significant inputs which were not based on observable market data and therefore this valuation is classified as level 3 in the fair value hierarchy.

An impairment of allocated goodwill of £4 million has been recognised to reflect fair value less costs to sell of a disposal group.

28. Trade and other payables

	2019 £m	2018 £m
Trade payables	**4,144**	3,645
Wages and salaries	**1,470**	1,355
Social security	**164**	139
ViiV Healthcare put option	**1,011**	1,240
Other payables	**515**	401
Deferred income	**158**	216
Customer return and rebate accruals	**5,108**	5,064
Other accruals	**2,369**	1,977
	14,939	14,037

Trade and other payables included £63 million (2018 – £64 million) due to associates and joint ventures. The Group provides limited supplier financing arrangements to certain customers. The amounts involved at 31 December 2019 were not material.

Revenue recognised in the year that was included in deferred income at 1 January 2019 was £72 million (2018 – £66 million).

Customer return and rebate accruals are provided for by the Group at the point of sale in respect of the estimated rebates, discounts or allowances payable to customers, and included £4,200 million (2018 – £4,356 million) in respect of US Pharmaceuticals and Vaccines, as more fully described in the Group financial review on page 72. Accruals are made at the time of sale but the actual amounts paid are based on claims made some time after the initial recognition of the sale. As the amounts are estimated, they may not fully reflect the final outcome and are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted quarterly in light of historical experience of actual amounts paid and any changes in arrangements. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Pfizer's put option over its shareholding in ViiV Healthcare is currently exercisable. Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. The amount of the liability for this put option, which is held on the gross redemption basis, is derived from an internal valuation of the ViiV Healthcare business, utilising both discounted forecast future cash flow and multiples-based methodologies.

The table below shows on an indicative basis the income statement and balance sheet sensitivity of the Pfizer put option to reasonably possible changes in key assumptions.

Increase/(decrease) in financial liability and loss/(gain) in Income statement	2019 £m
10% increase in sales forecasts	**119**
10% decrease in sales forecasts	**(118)**
10 cent appreciation of US Dollar	**58**
10 cent depreciation of US Dollar	**(49)**
10 cent appreciation of Euro	**37**
10 cent depreciation of Euro	**(31)**

An explanation of the accounting for ViiV Healthcare is set out on page 51.

Notes to the financial statements continued

29. Net debt

	Listing exchange	2019 £m	2018 £m
Current assets:			
Liquid investments		**79**	84
Cash and cash equivalents		**4,707**	3,874
Cash and cash equivalents reported in Assets held for sale		**507**	485
		5,293	4,443
Short-term borrowings:			
Commercial paper		**(3,586)**	(630)
Bank loans, overdrafts and other		**(434)**	(290)
Drawn bank facility		**(1,000)**	(3,500)
0.625% € European Medium Term Note 2019	London Stock Exchange	**–**	(1,349)
EURIBOR +0.20% € European Medium Term Note 2020	London Stock Exchange	**(638)**	**–**
0.000% € European Medium Term Note 2020	London Stock Exchange	**(1,020)**	**–**
Lease liabilities		**(240)**	(24)
		(6,918)	(5,793)
Long-term borrowings:			
EURIBOR +0.20% € European Medium Term Note 2020	London Stock Exchange	**–**	(677)
0.000% € European Medium Term Note 2020	London Stock Exchange	**–**	(1,079)
3.125% US$ US Medium Term Note 2021	New York Stock Exchange	**(944)**	(980)
LIBOR +0.35% US$ US Medium Term Note 2021	New York Stock Exchange	**(567)**	(589)
EURIBOR +0.60% € European Medium Term Note 2021	London Stock Exchange	**(1,281)**	**–**
0.000% € European Medium Term Note 2021	London Stock Exchange	**(426)**	**–**
2.850% US$ US Medium Term Note 2022	New York Stock Exchange	**(1,509)**	(1,568)
2.875% US$ US Medium Term Note 2022	New York Stock Exchange	**(1,132)**	**–**
2.800% US$ US Medium Term Note 2023	New York Stock Exchange	**(941)**	(978)
3.375% US$ US Medium Term Note 2023	New York Stock Exchange	**(941)**	(977)
0.000% € European Medium Term Note 2023	London Stock Exchange	**(425)**	**–**
3.000% US$ US Medium Term Note 2024	New York Stock Exchange	**(751)**	**–**
1.375% € European Medium Term Note 2024	London Stock Exchange	**(844)**	(893)
4.000% € European Medium Term Note 2025	London Stock Exchange	**(633)**	(670)
3.625% US$ US Medium Term Note 2025	New York Stock Exchange	**(751)**	(780)
1.000% € European Medium Term Note 2026	London Stock Exchange	**(593)**	(629)
1.250% € European Medium Term Note 2026	London Stock Exchange	**(846)**	(897)
3.375% £ European Medium Term Note 2027	London Stock Exchange	**(594)**	(593)
3.875% US$ US Medium Term Note 2028	New York Stock Exchange	**(1,319)**	(1,372)
3.375% US$ US Medium Term Note 2029	New York Stock Exchange	**(746)**	**–**
1.375% € European Medium Term Note 2029	London Stock Exchange	**(422)**	(447)
1.750% € European Medium Term Note 2030	London Stock Exchange	**(635)**	(673)
5.250% £ European Medium Term Note 2033	London Stock Exchange	**(983)**	(982)
5.375% US$ US Medium Term Note 2034	New York Stock Exchange	**(375)**	(390)
6.375% US$ US Medium Term Note 2038	New York Stock Exchange	**(2,061)**	(2,143)
6.375% £ European Medium Term Note 2039	London Stock Exchange	**(694)**	(694)
5.250% £ European Medium Term Note 2042	London Stock Exchange	**(987)**	(986)
4.200% US$ US Medium Term Note 2043	New York Stock Exchange	**(371)**	(386)
4.250% £ European Medium Term Note 2045	London Stock Exchange	**(789)**	(788)
Other long-term borrowings		**(20)**	(56)
Lease liabilities		**(1,010)**	(44)
		(23,590)	(20,271)
Net debt		**(25,215)**	(21,621)

29. Net debt continued

Current assets

Liquid investments are classified as financial assets at amortised cost. At 31 December 2019, they included US Treasury Notes and other government bonds. The effective interest rate on liquid investments at 31 December 2019 was approximately 1.1% (2018 – approximately 1.0%). Liquid investment balances at 31 December 2019 earning interest at floating rates amount to £1 million (2018 – £84 million). Liquid investment balances at 31 December 2019 earning interest at fixed rates amount to £78 million (2018 – £nil).

Balances reported within cash and cash equivalents have an original maturity of three months or less. The effective interest rate on cash and cash equivalents at 31 December 2019 was approximately 1.6% (2018 – approximately 1.9%). Cash and cash equivalents at 31 December 2019 earning interest at floating and fixed rates amounted to £5,039 million and £10 million respectively (2018 – £4,094 million and £2 million) and non-interest bearing holdings amounted to £164 million (2018 – £263 million).

GSK's policy regarding the credit quality of cash and cash equivalents is set out in Note 43, 'Financial instruments and related disclosures'.

Short-term borrowings

GSK has a $10 billion (£7.6 billion) US commercial paper programme, of which $4.8 billion (£3.6 billion) was in issue at 31 December 2019 (2018 – $0.8 billion (£0.6 billion)). GSK has a £1.9 billion three-year committed facility and $2.5 billion (£1.9 billion) under a 364 day committed facility. Both the three-year committed facility and the 364 day committed facility were agreed in September 2019 and were undrawn at 31 December 2019. An additional bank facility was agreed in 2018 to support transactions and remained active at 31 December 2019. In June 2018, £3.5 billion was drawn to support the acquisition from Novartis of the remaining stake in the Consumer Healthcare Joint Venture. £2.5 billion was repaid in November 2019, leaving £1.0 billion outstanding at 31 December 2019.

The weighted average interest rate on commercial paper borrowings at 31 December 2019 was 1.8% (2018 – 2.5%).

The weighted average interest rate on current bank loans and overdrafts at 31 December 2019 was 4.6% (2018 – 12.0%). Short-term loan rates of 60% in Argentina had a disproportionate effect on the weighted average interest rate in 2018.

The average effective pre-swap interest rate of notes classified as short-term at 31 December 2019 was 0.0% (2018 – 0.8%). The continued decrease in the rate reflects the maturities of a EURIBOR +0.20% coupon note in May 2020 and a 0.0% coupon note in September 2020.

Long-term borrowings

At the year-end, GSK had long-term borrowings of £23.6 billion (2018 – £20.3 billion), of which £13.3 billion (2018 – £13.3 billion) fell due in more than five years. The average effective pre-swap interest rate of all notes in issue at 31 December 2019 was approximately 3.8% (2018 – approximately 4.4%).

Long-term borrowings repayable after five years carry interest at effective rates between 1.0% and 6.5%, with repayment dates ranging from 2025 to 2045.

Pledged assets

The Group held pledged investments in US Treasury Notes with a par value of $50 million (£38 million), (2018 – $50 million (£39 million)) as security against irrevocable letters of credit issued on the Group's behalf in respect of the Group's self-insurance activity. Provisions in respect of self-insurance are included within the provisions for legal and other disputes discussed in Note 31, 'Other provisions'.

Lease liabilities

The maturity analysis of discounted lease liabilities recognised on the Group balance sheet is as follows:

	2019 £m	2018 (revised) £m
Rental payments due within one year	**240**	24
Rental payments due between one and two years	**227**	18
Rental payments due between two and three years	**119**	12
Rental payments due between three and four years	**105**	6
Rental payments due between four and five years	**93**	3
Rental payments due after five years	**466**	5
Total lease liabilities	**1,250**	68

30. Pensions and other post-employment benefits

Pension and other post-employment costs	2019 £m	2018 £m	2017 £m
UK pension schemes	**181**	246	198
US pension schemes	**120**	100	113
Other overseas pension schemes	**185**	190	218
Unfunded post-retirement healthcare schemes	**74**	50	87
	560	586	616
Analysed as:			
Funded defined benefit/hybrid pension schemes	**300**	369	335
Unfunded defined benefit pension schemes	**41**	43	55
Unfunded post-retirement healthcare schemes	**74**	50	87
Defined benefit schemes	**415**	462	477
Defined contribution pension schemes	**145**	124	139
	560	586	616

The costs of the defined benefit pension and post-retirement healthcare schemes are charged in the income statement as follows:

	2019 £m	2018 £m	2017 £m
Cost of sales	**149**	160	162
Selling, general and administration	**195**	228	238
Research and development	**71**	74	77
	415	462	477

GSK entities operate pension arrangements which cover the Group's material obligations to provide pensions to retired employees. These arrangements have been developed in accordance with local practices in the countries concerned. Pension benefits can be provided by state schemes; by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee; or by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service.

Pension costs of defined benefit schemes for accounting purposes have been calculated using the projected unit method. In certain countries pension benefits are provided on an unfunded basis, some administered by trustee companies. Formal, independent, actuarial valuations of the Group's main plans are undertaken regularly, normally at least every three years.

Actuarial movements in the year are recognised through the statement of comprehensive income. Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. Discount rates are selected to reflect the term of the expected benefit payments. Projected inflation rate and pension increases are long-term predictions based on the yield gap between long-term index-linked and fixed interest Gilts. In the UK, mortality rates are determined by adjusting the SAPS S2 standard mortality tables to reflect recent scheme experience. These rates are then projected to reflect improvements in life expectancy in line with the CMI 2018 projections with a long-term rate of improvement of 1.25% per year for both males and females. In the US, mortality rates are calculated using the RP2014 white collar table adjusted to reflect recent experience. These rates are projected using MP-2017 to allow for future improvements in life expectancy.

30. Pensions and other post-employment benefits continued

The average life expectancy assumed now for an individual at the age of 60 and projected to apply in 2039 for an individual then at the age of 60 is as follows:

	UK		US	
	Male Years	Female Years	Male Years	Female Years
Current	27.4	29.0	27.1	28.8
Projected for 2039	28.8	30.5	28.8	30.4

The assets of funded schemes are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure of any individual investment. The physical asset allocation strategy for three of the four UK plans has been adjusted from 55% in return-seeking assets and 45% in liability-matching assets to 45% in return-seeking assets and 55% in liability-matching assets. During 2019, a buy-in insurance contract was purchased to cover substantially all of the obligations of the other UK plan. At 31 December 2019, the value of the insurance contract was £607 million. The asset allocation of the US plans is currently set at 30% return-seeking assets and 70% liability-matching assets.

The pension plans are exposed to risk that arises because the estimated market value of the plans' assets might decline, the investment returns might reduce, or the estimated value of the plans' liabilities might increase.

In line with the agreed mix of return-seeking assets to generate future returns and liability-matching assets to better match future pension obligations, the Group has defined an overall long-term investment strategy for the plans, with investments across a broad range of assets. The main market risks within the asset and hedging portfolio are against credit risk, interest rates, long-term inflation, equities, property, currency and bank counterparty risk.

The plan liabilities are a series of future cash flows with relatively long duration. On an IAS 19 basis, these cash flows are sensitive to changes in the expected long-term inflation rate and the discount rate (AA corporate bond yield curve) where an increase in long-term inflation corresponds with an increase in the liabilities, and an increase in the discount rate corresponds with a decrease in the liabilities.

The interest rate risk and credit rate risk in the US are partially hedged. The targets are based on an accounting measure of the plan liabilities.

For the UK plans, there is an interest rate and inflation hedging strategy in place. The targets are based on an economic measure of the plan liabilities. Furthermore, the plans also currently hedge a portion of their equity exposure with a staggered maturity profile.

In the UK, the defined benefit pension schemes operated for the benefit of former Glaxo Wellcome employees and former SmithKline Beecham employees remain separate. These schemes were closed to new entrants in 2001 and subsequent UK employees are entitled to join a defined contribution scheme. In addition, the Group operates a number of post-retirement healthcare schemes, the principal one of which is in the US.

The Group has applied the following financial assumptions in assessing the defined benefit liabilities:

	UK			US			Rest of World		
	2019 % pa	2018 % pa	2017 % pa	**2019 % pa**	2018 % pa	2017 % pa	**2019 % pa**	2018 % pa	2017 % pa
Rate of increase of future earnings	**2.00**	2.00	2.00	**4.00**	4.00	4.00	**2.70**	2.70	2.80
Discount rate	**2.00**	2.90	2.50	**3.20**	4.20	3.60	**1.10**	1.80	1.60
Expected pension increases	**3.00**	3.20	3.20	**n/a**	n/a	n/a	**2.10**	2.10	2.20
Cash balance credit/conversion rate	**n/a**	n/a	n/a	**2.60**	3.20	2.90	**0.10**	0.40	0.30
Inflation rate	**3.00**	3.20	3.20	**2.25**	2.25	2.25	**1.40**	1.50	1.70

Sensitivity analysis detailing the effect of changes in assumptions is provided on page 213. The analysis provided reflects the assumption changes which have the most material impact on the results of the Group.

Notes to the financial statements continued

30. Pensions and other post-employment benefits continued

The amounts recorded in the income statement and statement of comprehensive income for the three years ended 31 December 2019 in relation to the defined benefit pension and post-retirement healthcare schemes were as follows:

2019	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	62	74	130	**266**	**22**
Past service cost/(credit)	49	(3)	(15)	**31**	**–**
Net interest (income)/cost	(19)	29	16	**26**	**52**
Gains from settlements	–	–	(9)	**(9)**	**–**
Expenses	7	20	–	**27**	**–**
	99	120	122	**341**	**74**
Remeasurement losses recorded in the statement of comprehensive income	(894)	(1)	(78)	**(973)**	**(77)**

2018	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	75	72	134	281	29
Past service cost/(credit)	93	1	–	94	(27)
Net interest (income)/cost	(3)	20	19	36	49
Gains from settlements	–	–	(14)	(14)	(1)
Expenses	8	7	–	15	–
	173	100	139	412	50
Remeasurement gains/(losses) recorded in the statement of comprehensive income	495	(108)	196	583	145

2017	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	79	70	131	280	30
Past service cost/(credit)	37	–	–	37	(2)
Net interest cost	7	31	16	54	59
Expenses	7	12	–	19	–
	130	113	147	390	87
Remeasurement gains/(losses) recorded in the statement of comprehensive income	259	240	(14)	485	64

The amounts included within past service costs in the UK included £58 million (2018 – £43 million; 2017 – £37 million) of augmentation costs of which £47 million arose from Major restructuring programmes (see Note 31, ‘Other provisions’). In 2018, past service costs in the UK included a charge of £40 million in relation to the estimated impact of GMP equalisation.

30. Pensions and other post-employment benefits continued

A summarised balance sheet presentation of the Group defined benefit pension schemes and other post-retirement benefits is set out in the table below:

	2019 £m	2018 £m	2017 £m
Recognised in Other non-current assets:			
Pension schemes in surplus	**127**	760	538
Recognised in Assets held for sale:			
Post-retirement benefits	**(9)**	(9)	–
Recognised in Pensions and other post-employment benefits:			
Pension schemes in deficit	**(2,048)**	(1,755)	(2,043)
Post-retirement benefits	**(1,409)**	(1,370)	(1,496)
	(3,457)	(3,125)	(3,539)

In the event of a plan wind-up, GSK believes the UK pension scheme rules provide the company with the right to a refund of surplus assets following the full settlement of plan liabilities. As a result, the net surplus in the UK defined benefit pension schemes is recognised in full.

The fair values of the assets and liabilities of the UK and US defined benefit pension schemes, together with aggregated data for other defined benefit pension schemes in the Group are as follows:

At 31 December 2019		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	2,904	671	638	**4,213**
	– unlisted	–	–	8	**8**
Multi-asset funds		2,700	–	–	**2,700**
Property:	– listed	–	–	55	**55**
	– unlisted	460	145	2	**607**
Corporate bonds:	– listed	297	855	141	**1,293**
	– unlisted	326	–	23	**349**
Government bonds:	– listed	4,923	803	889	**6,615**
Insurance contracts		1,406	–	832	**2,238**
Other assets		(35)	315	74	**354**
Fair value of assets		12,981	2,789	2,662	**18,432**
Present value of scheme obligations		(13,293)	(3,506)	(3,554)	**(20,353)**
Net surplus/(obligation)		(312)	(717)	(892)	**(1,921)**
Included in Other non-current assets		70	–	57	**127**
Included in Pensions and other post-employment benefits		(382)	(717)	(949)	**(2,048)**
		(312)	(717)	(892)	**(1,921)**
Actual return on plan assets		787	356	345	**1,488**

The multi-asset funds comprise investments in pooled investment vehicles that are invested across a range of asset classes, increasing diversification within the growth portfolio. The ‘Other assets’ category comprises cash and mark to market values of derivative positions.

Index-linked gilts held as part of a UK repo programme are included in government bonds. The related loan of £243 million at 31 December 2019 (2018 – £nil; 2017 – £773 million) is deducted within ‘Other assets’.

Notes to the financial statements continued

30. Pensions and other post-employment benefits continued

At 31 December 2018		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	3,257	1,280	518	5,055
	– unlisted	–	–	7	7
Multi-asset funds		2,997	–	–	2,997
Property:	– listed	–	–	33	33
	– unlisted	423	231	4	658
Corporate bonds:	– listed	404	783	111	1,298
	– unlisted	306	–	25	331
Government bonds:	– listed	3,835	286	795	4,916
Insurance contracts		770	–	831	1,601
Other assets		589	228	66	883
Fair value of assets		12,581	2,808	2,390	17,779
Present value of scheme obligations		(12,087)	(3,474)	(3,213)	(18,774)
Net surplus/(obligation)		494	(666)	(823)	(995)
Included in Other non-current assets		711	–	49	760
Included in Pensions and other post-employment benefits		(217)	(666)	(872)	(1,755)
		494	(666)	(823)	(995)
Actual return on plan assets		(88)	(123)	55	(156)

At 31 December 2017		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	4,902	1,448	544	6,894
	– unlisted	–	–	13	13
Multi-asset funds		2,517	–	–	2,517
Property:	– unlisted	352	209	32	593
Corporate bonds:	– listed	297	820	103	1,220
	– unlisted	326	–	20	346
Government bonds:	– listed	5,127	239	762	6,128
Insurance contracts		849	–	707	1,556
Other assets		(1,216)	158	71	(987)
Fair value of assets		13,154	2,874	2,252	18,280
Present value of scheme obligations		(13,101)	(3,445)	(3,239)	(19,785)
Net surplus/(obligation)		53	(571)	(987)	(1,505)
Included in Other non-current assets		470	–	68	538
Included in Pensions and other post-employment benefits		(417)	(571)	(1,055)	(2,043)
		53	(571)	(987)	(1,505)
Actual return on plan assets		893	394	82	1,369

30. Pensions and other post-employment benefits continued

Movements in fair values of assets	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Assets at 1 January 2017	12,583	2,890	2,097	**17,570**	**–**
Exchange adjustments	–	(244)	24	**(220)**	**–**
Interest income	333	104	33	**470**	**–**
Expenses	(7)	(12)	–	**(19)**	**–**
Settlements and curtailments	–	–	(4)	**(4)**	**–**
Remeasurement	560	290	49	**899**	**–**
Employer contributions	225	103	116	**444**	**101**
Scheme participants' contributions	4	–	17	**21**	**17**
Benefits paid	(544)	(257)	(80)	**(881)**	**(118)**
Assets at 31 December 2017	13,154	2,874	2,252	**18,280**	**–**
Exchange adjustments	–	171	53	**224**	**–**
Interest income	323	102	29	**454**	**–**
Expenses	(8)	(7)	–	**(15)**	**–**
Settlements and curtailments	–	–	(14)	**(14)**	**–**
Remeasurement	(411)	(225)	26	**(610)**	**–**
Employer contributions	119	150	117	**386**	**93**
Scheme participants' contributions	4	–	16	**20**	**16**
Benefits paid	(600)	(257)	(89)	**(946)**	**(109)**
Assets at 31 December 2018	12,581	2,808	2,390	**17,779**	**–**
Exchange adjustments	–	(110)	(120)	**(230)**	**–**
Additions through business combinations	–	–	14	**14**	**–**
Interest income	360	111	37	**508**	**–**
Expenses	(7)	(20)	–	**(27)**	**–**
Settlements and curtailments	–	–	1	**1**	**–**
Remeasurement	427	245	312	**984**	**–**
Employer contributions	187	40	116	**343**	**110**
Scheme participants' contributions	3	–	17	**20**	**17**
Benefits paid	(570)	(285)	(105)	**(960)**	**(127)**
Assets at 31 December 2019	12,981	2,789	2,662	**18,432**	**–**

During 2019, the Group made special funding contributions to the UK pension schemes of £78 million (2018 – £nil; 2017 – £136 million) but £nil (2018 – £125 million; 2017 – £78 million) to the US schemes. In 2018, GSK reached a revised agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficits identified within the schemes at the 31 December 2017 actuarial funding valuation. Based on these funding agreements, the additional contributions to eliminate the pension deficit are expected to be £75 million in 2020. Further payments have been agreed for the years 2021 to 2022 and these are included within Note 35, 'Commitments' on page 216. This funding commitment supersedes the previous agreement made in 2016. The contributions were based on a government bond yield curve approach to selecting the discount rate; the rate chosen included an allowance for expected investment returns which reflected the asset mix of the schemes.

Employer contributions for 2020, including special funding contributions, are estimated to be approximately £400 million in respect of defined benefit pension schemes and £90 million in respect of post-retirement benefits.

Notes to the financial statements continued

30. Pensions and other post-employment benefits continued

Movements in defined benefit obligations	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Obligations at 1 January 2017	(12,884)	(3,752)	(3,018)	**(19,654)**	**(1,693)**
Exchange adjustments	–	305	(45)	**260**	**119**
Service cost	(79)	(70)	(131)	**(280)**	**(30)**
Past service cost/(credit)	(37)	–	–	**(37)**	**2**
Interest cost	(340)	(135)	(49)	**(524)**	**(59)**
Settlements and curtailments	–	–	4	**4**	**–**
Remeasurement	(301)	(50)	(63)	**(414)**	**64**
Scheme participants' contributions	(4)	–	(17)	**(21)**	**(17)**
Benefits paid	544	257	80	**881**	**118**
Obligations at 31 December 2017	(13,101)	(3,445)	(3,239)	**(19,785)**	**(1,496)**
Exchange adjustments	–	(208)	(63)	**(271)**	**(71)**
Service cost	(75)	(72)	(134)	**(281)**	**(29)**
Past service cost/(credit)	(93)	(1)	–	**(94)**	**27**
Interest cost	(320)	(122)	(48)	**(490)**	**(49)**
Settlements and curtailments	–	–	28	**28**	**1**
Remeasurement	906	117	170	**1,193**	**145**
Scheme participants' contributions	(4)	–	(16)	**(20)**	**(16)**
Benefits paid	600	257	89	**946**	**109**
Obligations at 31 December 2018	(12,087)	(3,474)	(3,213)	**(18,774)**	**(1,379)**
Exchange adjustments	–	140	177	**317**	**50**
Additions through business combinations	–	–	(56)	**(56)**	**(48)**
Service cost	(62)	(74)	(130)	**(266)**	**(22)**
Past service cost	(49)	3	15	**(31)**	**–**
Interest cost	(341)	(140)	(53)	**(534)**	**(52)**
Settlements and curtailments	–	–	8	**8**	**–**
Remeasurement	(1,321)	(246)	(390)	**(1,957)**	**(77)**
Scheme participants' contributions	(3)	–	(17)	**(20)**	**(17)**
Benefits paid	570	285	105	**960**	**127**
Obligations at 31 December 2019	(13,293)	(3,506)	(3,554)	**(20,353)**	**(1,418)**

The defined benefit pension obligation is analysed as follows:

	2019 £m	2018 £m	2017 £m
Funded	**(19,547)**	(18,025)	(19,052)
Unfunded	**(806)**	(749)	(733)
	(20,353)	(18,774)	(19,785)

The liability for the US post-retirement healthcare scheme has been assessed using the same assumptions as for the US pension scheme, together with the assumption for future medical inflation of 6.25% (2018 – 6.50%) in 2020, grading down to 5.0% in 2025 and thereafter. At 31 December 2019, the US post-retirement healthcare scheme obligation was £1,198 million (2018 – £1,179 million; 2017 – £1,254 million). Post-retirement benefits are unfunded.

30. Pensions and other post-employment benefits continued

The movement in the net defined benefit liability is as follows:

	2019 £m	2018 £m	2017 £m
At 1 January	**(995)**	(1,505)	(2,084)
Exchange adjustments	**87**	(47)	40
Additions through business combinations	**(42)**	–	–
Service cost	**(266)**	(281)	(280)
Past service cost	**(31)**	(94)	(37)
Interest cost	**(26)**	(36)	(54)
Settlements and curtailments	**9**	14	–
Remeasurements:			
Return on plan assets, excluding amounts included in interest	**984**	(610)	899
Gain from change in demographic assumptions	**78**	131	209
(Loss)/gain from change in financial assumptions	**(2,022)**	1,149	(555)
Experience losses	**(13)**	(87)	(68)
Employer contributions	**343**	386	444
Expenses	**(27)**	(15)	(19)
At 31 December	**(1,921)**	(995)	(1,505)

The remeasurements included within post-retirement benefits are detailed below:

	2019 £m	2018 £m	2017 £m
Gain from change in demographic assumptions	**–**	6	47
(Loss)/gain from change in financial assumptions	**(80)**	100	(1)
Experience gains	**3**	39	18
	(77)	145	64

The defined benefit pension obligation analysed by membership category is as follows:

	2019 £m	2018 £m	2017 £m
Active	**4,572**	4,427	4,611
Retired	**10,485**	9,542	9,805
Deferred	**5,296**	4,805	5,369
	20,353	18,774	19,785

The post-retirement benefit obligation analysed by membership category is as follows:

	2019 £m	2018 £m	2017 £m
Active	**549**	499	514
Retired	**869**	879	981
Deferred	**–**	1	1
	1,418	1,379	1,496

The weighted average duration of the defined benefit obligation is as follows:

	2019 years	2018 years	2017 years
Pension benefits	**15**	15	16
Post-retirement benefits	**12**	11	11

Notes to the financial statements continued

30. Pensions and other post-employment benefits continued

Sensitivity analysis

The effect of changes in assumptions used on the benefit obligations and on the 2020 annual defined benefit pension and post-retirement costs are detailed below. This information has been determined by taking into account the duration of the liabilities and the overall profile of the plan memberships.

	£m
A 0.25% decrease in discount rate would have the following approximate effect:	
Increase in annual pension cost	23
Decrease in annual post-retirement benefits cost	(1)
Increase in pension obligation	798
Increase in post-retirement benefits obligation	40
A 0.5% decrease in discount rate would have the following approximate effect:	
Increase in annual pension cost	43
Decrease in annual post-retirement benefits cost	(2)
Increase in pension obligation	1,640
Increase in post-retirement benefits obligation	82
A one-year increase in life expectancy would have the following approximate effect:	
Increase in annual pension cost	19
Increase in annual post-retirement benefits cost	2
Increase in pension obligation	725
Increase in post-retirement benefits obligation	39
A 1% increase in the rate of future healthcare inflation would have the following approximate effect:	
Increase in annual post-retirement benefits cost	2
Increase in post-retirement benefits obligation	42
A 0.25% increase in inflation would have the following approximate effect:	
Increase in annual pension cost	17
Increase in pension obligation	532

31. Other provisions

	Legal and other disputes £m	Major restructuring programmes £m	Employee related provisions £m	Other provisions £m	**Total £m**
At 1 January 2019	219	641	350	213	**1,423**
Implementation of IFRS 16	–	(30)	–	(5)	**(35)**
At 1 January 2019, as adjusted	219	611	350	208	**1,388**
Exchange adjustments	(11)	(14)	(13)	(4)	**(42)**
Additions through business combinations	12	–	–	24	**36**
Charge for the year	367	345	158	56	**926**
Reversed unused	(4)	(148)	(53)	(16)	**(221)**
Unwinding of discount	3	5	–	–	**8**
Utilised	(389)	(309)	(49)	(48)	**(795)**
Reclassifications and other movements	1	62	(6)	(19)	**38**
Transfer to Pension obligations	–	(47)	–	–	**(47)**
At 31 December 2019	198	505	387	201	**1,291**
To be settled within one year	134	298	138	51	**621**
To be settled after one year	64	207	249	150	**670**
At 31 December 2019	198	505	387	201	**1,291**

Legal and other disputes

The Group is involved in a substantial number of legal and other disputes, including notification of possible claims, as set out in Note 46 'Legal proceedings'. Provisions for legal and other disputes include amounts relating to product liability, anti-trust, government investigations, contract terminations and self insurance.

The net charge for the year of £363 million (including reversals and estimated insurance recoveries) primarily related to provisions for product liability cases, commercial disputes and various other government investigations.

The discount on the provisions increased by £3 million in 2019 (2018 – increased by £2 million). The discount was calculated using risk-adjusted projected cash flows and risk-free rates of return.

In respect of product liability claims related to certain products, provision is made when there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

It is in the nature of the Group's business that a number of these matters may be the subject of negotiation and litigation over many years. Litigation proceedings, including the various appeal procedures, often take many years to reach resolution, and out-of-court settlement discussions can also often be protracted. Indemnified disputes will result in a provision charge and a corresponding receivable.

The Group is in potential settlement discussions in a number of the disputes for which amounts have been provided and, based on its current assessment of the progress of these disputes, estimates that £134 million of the amount provided at 31 December 2019 will be settled within one year. At 31 December 2019, it was expected that £9 million (2018 – £37 million) of the provision made for legal and other disputes will be reimbursed by third parties. For a discussion of legal issues, see Note 46, 'Legal proceedings'.

Major restructuring programmes

During 2019, the Group was undertaking three major restructuring programmes: the Combined restructuring and integration programme which is now substantially complete, the 2018 major restructuring programme and the Consumer Healthcare Joint Venture integration programme. The programmes are focused primarily on simplifying supply chain processes, rationalising the Group's manufacturing network, restructuring the Pharmaceuticals commercial operations and integrating the Pfizer consumer healthcare business.

Provisions for staff severance payments are made when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected and appropriate consultation procedures completed, where appropriate. No provision is made for staff severance payments that are made immediately.

Pension augmentations arising from staff redundancies of £47 million (2018 – £21 million) have been charged during the year and then transferred to the pension obligations provision as shown in Note 30, 'Pensions and other post-employment benefits'. Asset write-downs have been recognised as impairments of property, plant and equipment in Note 17, 'Property, plant and equipment'. The majority of the amounts provided are expected to be utilised in the next two years.

Notes to the financial statements continued

31. Other provisions continued

Employee related provisions

Employee related provisions include obligations for certain medical benefits to disabled employees and their spouses in the US. At 31 December 2019, the provision for these benefits amounted to £85 million (2018 – £87 million). Other employee benefits reflect a variety of provisions for severance costs, jubilee awards and other long-service benefits.

Given the nature of these provisions, the amounts are likely to be settled over many years.

Other provisions

Included in other provisions are insurance provisions of £14 million (2018 – £20 million), and a number of other provisions including vehicle insurance and regulatory matters.

32. Contingent consideration liabilities

The consideration for certain acquisitions includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

	Shionogi-ViiV Healthcare £m	Novartis Vaccines £m	Other £m	**Total £m**
At 1 January 2017	5,304	545	47	**5,896**
Remeasurement through income statement	909	53	(1)	**961**
Cash payments: operating cash flows	(587)	(7)	–	**(594)**
Cash payments: investing activities	(84)	(7)	–	**(91)**
At 31 December 2017	5,542	584	46	**6,172**
Remeasurement through income statement	1,188	56	7	**1,251**
Cash payments: operating cash flows	(703)	(281)	–	**(984)**
Cash payments: investing activities	(90)	(63)	–	**(153)**
At 31 December 2018	5,937	296	53	**6,286**
Remeasurement through income statement	31	67	(15)	**83**
Cash payments: operating cash flows	(767)	(13)	–	**(780)**
Cash payments: investing activities	(98)	(11)	(4)	**(113)**
Other movements	–	–	3	**3**
At 31 December 2019	5,103	339	37	**5,479**

Of the contingent consideration payable at 31 December 2019, £755 million (2018 – £837 million) is expected to be paid within one year.

The consideration payable for the acquisition of the Shionogi-ViiV Healthcare joint venture and the Novartis Vaccines business is expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, shown above. The Shionogi-ViiV Healthcare contingent consideration liability is discounted at 8.5% and the Novartis Vaccines contingent consideration liability is discounted at 8% for commercialised products and at 9% for pipeline assets.

The Shionogi-ViiV Healthcare and Novartis Vaccines contingent consideration liabilities are calculated principally based on the forecast sales performance of specified products over the lives of those products.

The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in key inputs to the valuations of the contingent consideration liabilities.

Increase/(decrease) in financial liability and loss/(gain) in Income statement	Shionogi-ViiV Healthcare £m	Novartis Vaccines £m
10% increase in sales forecasts	489	65
10% decrease in sales forecasts	(490)	(65)
1% increase in discount rate	(192)	(24)
1% decrease in discount rate	205	27
5% increase in probability of milestone success		7
5% decrease in probability of milestone success		(7)
10 cent appreciation of US Dollar	302	(8)
10 cent depreciation of US Dollar	(261)	7
10 cent appreciation of Euro	106	26
10 cent depreciation of Euro	(91)	(22)

An explanation of the accounting for ViiV Healthcare is set out on page 51.

33. Other non-current liabilities

	2019 £m	2018 £m
Accruals	**42**	71
Deferred income	**24**	19
Other payables	**778**	848
	844	938

Other payables includes a number of employee-related liabilities including employee savings plans. In the prior year, it also included acquisition accounting market value lease adjustments which were reclassified to the Right of use asset on transition to IFRS 16.

34. Contingent liabilities

At 31 December 2019, contingent liabilities, comprising guarantees, discounted bills and other items arising in the normal course of business, amounted to £97 million (2018 – £93 million). At 31 December 2019, £1 million (2018 – £nil) of financial assets were pledged as collateral for contingent liabilities. Provision is made for the outcome of tax, legal and other disputes where it is both probable that the Group will suffer an outflow of funds and it is possible to make a reliable estimate of that outflow. At 31 December 2019, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote. Descriptions of the significant legal and other disputes to which the Group is a party are set out in Note 46, 'Legal proceedings'.

35. Commitments

Contractual obligations and commitments	2019 £m	2018 £m
Contracted for but not provided in the financial statements:		
Intangible assets	**9,727**	4,762
Property, plant and equipment	**413**	665
Investments	**47**	82
Purchase commitments	**1,047**	561
Pensions	**163**	238
Interest on loans	**8,952**	9,418
Future finance charges on leases	**223**	16
	20,572	15,742

The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, are achieved. The amounts are not risk-adjusted or discounted. The increase in intangible commitments in 2019 is mainly attributable to a number of new R&D collaborations, including with Merck KgaA and Lyell Immunopharma.

In 2018, GSK reached an agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficit identified at the 31 December 2017 actuarial funding valuation. A payment of £75 million is due in 2020 and payments of £44 million are due in both 2021 and 2022. The table above includes this commitment, but excludes the normal ongoing annual funding requirement in the UK of approximately £140 million.

The Group also has other commitments which principally relate to revenue payments to be made under licences and other alliances.

Commitments in respect of future interest payable on loans are disclosed before taking into account the effect of interest rate swaps.

36. Share capital and share premium account

	Ordinary Shares of 25p each		Share premium
	Number	£m	£m
Share capital issued and fully paid			
At 1 January 2017	5,368,316,062	1,342	2,954
Issued under employee share schemes	4,237,758	1	55
Ordinary shares acquired by ESOP Trusts	–	–	10
At 31 December 2017	5,372,553,820	1,343	3,019
Issued under employee share schemes	6,513,804	2	72
At 31 December 2018	5,379,067,624	1,345	3,091
Issued under employee share schemes	4,034,607	1	50
Ordinary shares acquired by ESOP Trusts	–	–	33
At 31 December 2019	5,383,102,231	1,346	3,174

	31 December 2019 000	31 December 2018 000
Number of shares issuable under employee share schemes	**57,871**	56,723
Number of unissued shares not under option	**4,559,027**	4,564,209

At 31 December 2019, of the issued share capital, 36,365,045 shares were held in the ESOP Trusts, 393,505,950 shares were held as Treasury shares and 4,953,231,236 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 44, ‘Employee share schemes’.

37. Movements in equity

Retained earnings and other reserves amounted to £6,885 million at 31 December 2019 (2018 – £655 million loss, as revised; 2017 – £4,430 million loss) of which £394 million (2018 – £337 million; 2017 – £334 million) related to associates and joint ventures.

An adjustment of cumulative translation exchange between retained earnings and non-controlling interests of £396 million has been made in 2019 as described in Note 1, 'Presentation of the financial statements'. The cumulative translation exchange in equity is as follows:

	Net translation exchange included in:			
	Retained earnings £m	Fair value reserve £m	Non-controlling interests £m	**Total translation exchange £m**
At 1 January 2017	(128)	23	494	**389**
Exchange movements on overseas net assets	462	–	(149)	**313**
Reclassification of exchange on liquidation or disposal of overseas subsidiaries	109	–	–	**109**
At 31 December 2017	443	23	345	**811**
Exchange movements on overseas net assets	(458)	(22)	(1)	**(481)**
At 31 December 2018, as reported	(15)	1	344	**330**
Adjustment of exchange movements on overseas net assets	396	–	(396)	**–**
At 31 December 2018, as revised	381	1	(52)	**330**
Exchange movements on overseas net assets	(830)	(2)	(75)	**(907)**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries	(75)	–	–	**(75)**
At 31 December 2019	(524)	(1)	(127)	**(652)**

The analysis of other comprehensive income by equity category is as follows:

2019	Retained earnings £m	Other reserves £m	Non-controlling interests £m	**Total £m**
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	(830)	(2)	–	**(832)**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries	(75)	–	–	**(75)**
Fair value movements on cash flow hedges	–	(20)	–	**(20)**
Reclassification of cash flow hedges to income and expense	–	3	–	**3**
Deferred tax on fair value movements on cash flow hedges	–	16	–	**16**
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(75)	**(75)**
Fair value movements on equity investments	–	372	–	**372**
Deferred tax on fair value movements on equity investments	–	(95)	–	**(95)**
Remeasurement losses on defined benefit plans	(1,050)	–	–	**(1,050)**
Tax on remeasurement losses in defined benefit plans	189	–	–	**189**
Other comprehensive (expense)/income for the year	(1,766)	274	(75)	**(1,567)**

2018	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	(458)	(22)	–	(480)
Fair value movements on cash flow hedges	–	140	–	140
Reclassification of cash flow hedges to income and expense	–	(175)	–	(175)
Deferred tax on fair value movements on cash flow hedges	–	(22)	–	(22)
Deferred tax reversed on reclassification of cash flow hedges	–	20	–	20
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(1)	(1)
Fair value movements on equity investments	–	180	–	180
Deferred tax on fair value movements on equity investments	–	10	–	10
Remeasurement gains on defined benefit plans	728	–	–	728
Tax on remeasurement gains in defined benefit plans	(146)	–	–	(146)
Other comprehensive income/(expense) for the year	124	131	(1)	254

Notes to the financial statements continued

37. Movements in equity continued

2017	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	462	–	–	462
Reclassification of exchange on liquidation or disposal of overseas subsidiaries	109	–	–	109
Fair value movements on available-for-sale investments	–	(14)	–	(14)
Reclassification of fair value movements on available-for-sale investments	–	(42)	–	(42)
Deferred tax on fair value movements on available-for-sale investments	–	47	–	47
Deferred tax reversed on reclassification of available-for-sale investments	–	(18)	–	(18)
Fair value movements on cash flow hedges	–	(10)	–	(10)
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(149)	(149)
Remeasurement gains on defined benefit plans	549	–	–	549
Tax on remeasurement gains in defined benefit plans	(221)	–	–	(221)
Other comprehensive income/(expense) for the year	899	(37)	(149)	713

The analysis of other reserves is as follows:

	ESOP Trust shares £m	Fair value reserve £m	Cash flow hedge reserve £m	Other reserves £m	Total £m
At 1 January 2017	(286)	380	(3)	2,129	**2,220**
Exchange adjustments	22	–	–	–	**22**
Transferred to income and expense in the year on disposals	–	(42)	–	–	**(42)**
Net fair value movement in the year	–	(9)	(8)	–	**(17)**
Ordinary shares acquired by ESOP Trusts	(656)	–	–	–	**(656)**
Write-down of shares held by ESOP Trusts	520	–	–	–	**520**
At 31 December 2017	(400)	329	(11)	2,129	**2,047**
Implementation of IFRS 9	–	(288)	–	–	**(288)**
At 31 December, as adjusted	(400)	41	(11)	2,129	**1,759**
Exchange adjustments	(26)	–	–	–	**(26)**
Transferred to Retained earnings in the year on disposal of equity investments	–	(94)	–	–	**(94)**
Net fair value movement in the year	–	193	(36)	–	**157**
Write-down of shares held by ESOP Trusts	265	–	–	–	**265**
At 31 December 2018	(161)	140	(47)	2,129	**2,061**
Exchange adjustments	10	–	–	–	**10**
Transferred to Retained earnings in the year on disposal of equity investments	–	5	–	–	**5**
Net fair value movement in the year	–	264	(1)	–	**263**
Ordinary shares acquired by ESOP Trusts	(328)	–	–	–	**(328)**
Write-down of shares held by ESOP Trusts	344	–	–	–	**344**
At 31 December 2019	(135)	409	(48)	2,129	**2,355**

Other reserves include various non-distributable merger and pre-merger reserves amounting to £1,849 million at 31 December 2019 (2018 – £1,849 million; 2017 – £1,849 million). Other reserves also include the capital redemption reserve created as a result of the share buy-back programme amounting to £280 million at 31 December 2019 (2018 – £280 million; 2017 – £280 million).

38. Non-controlling interests

Total non-controlling interests includes the following individually material non-controlling interests. Other non-controlling interests are individually not material.

ViiV Healthcare

GSK holds 78.3% of the ViiV Healthcare sub-group, giving rise to a material non-controlling interest. Summarised financial information in respect of the ViiV Healthcare sub-group is as follows:

	2019 £m	2018 £m	2017 £m
Turnover	**4,816**	4,665	4,269
Profit after taxation	**2,574**	560	825
Other comprehensive (expense)/income	**(29)**	19	20
Total comprehensive income	**2,545**	579	845

	2019 £m	2018 £m
Non-current assets	**2,660**	2,787
Current assets	**2,905**	2,643
Total assets	**5,565**	5,430
Current liabilities	**(2,742)**	(2,638)
Non-current liabilities	**(7,811)**	(8,895)
Total liabilities	**(10,553)**	(11,533)
Net liabilities	**(4,988)**	(6,103)

	2019 £m	2018 £m	2017 £m
Net cash inflow from operating activities	**2,375**	2,212	2,132
Net cash outflow from investing activities	**(202)**	(237)	(207)
Net cash outflow from financing activities	**(1,947)**	(1,982)	(1,820)
Increase/(decrease) in cash and bank overdrafts in the year	**226**	(7)	105

The above financial information relates to the ViiV Healthcare group on a stand-alone basis, before the impact of Group-related adjustments, primarily related to the recognition of preferential dividends. The profit after taxation of £2,574 million (2018 – £560 million; 2017 – £825 million) is stated after charging preferential dividends payable to GSK, Shionogi and Pfizer and after a charge of £37 million (2018 – £1,194 million; 2017 – £908 million) for remeasurement of contingent consideration payable. This consideration is expected to be paid over a number of years.

The following amounts attributable to the ViiV Healthcare group are included in GSK's Financial statements:

	2019 £m	2018 £m	2017 £m
Share of profit for the year attributable to non-controlling interest	**482**	**254**	187
Dividends paid to non-controlling interest	**(310)**	**(332)**	(381)
Non-controlling interest in the Consolidated balance sheet	**(344)**	**(543)**	(476)

Notes to the financial statements continued

38. Non-controlling interests continued

Consumer Healthcare Joint Venture

GSK holds 68% of the Consumer Healthcare sub-group, giving rise to a material non-controllling interest. Summarised financial information in respect of the Consumer Healthcare sub-group is as follows:

	2019 £m
Turnover	4,240
Profit after taxation	150
Other comprehensive expenses	(721)
Total comprehensive expenses	(571)

	2019 £m
Non-current assets	29,899
Current assets	5,713
Total assets	35,612
Current liabilities	(4,219)
Non-current liabilities	(4,027)
Total liabilities	(8,246)
Net assets	27,366

	2019 £m
Net cash inflow from operating activities	1,014
Net cash outflow from investing activities	(776)
Net cash outflow from financing activities	(78)
Decrease in cash and bank overdrafts in the period	160

The above financial information relates to the Consumer Healthcare Joint Venture on a stand-alone basis since its formation on 31 July 2019, before the impact of Group-related adjustments and the classification of cash pooling accounts with Group companies outside of the Consumer Healthcare Joint Venture but after Major restructuring charges.

The following amounts attributable to the Consumer Healthcare Joint Venture are included in GSK's Financial statements:

	2019 £m
Share of profit for the period attributable to non-controlling interest	69
Non-controlling interest in the Consolidated balance sheet	6,911

39. Related party transactions

At 31 December 2019, GSK owned 32 million shares or 31.6% of Innoviva Inc. which is a biopharmaceutical company listed on NASDAQ. GSK began recognising Innoviva as an associate on 1 September 2015. The royalties due from GSK to Innoviva in the year were £215 million (2018 – £209 million). At 31 December 2019, the balance payable by GSK to Innoviva was £63 million (2018 – £64 million).

At 1 January 2019, GSK held a 50% interest in Japan Vaccine Co. Ltd (JVC) through its subsidiary GlaxoSmithKline K.K. This joint venture with Daiichi Sankyo Co., Ltd was primarily responsible for the development and marketing of certain prophylactic vaccines in Japan. During 2019, GSK sold £11 million of its vaccine products into the joint venture. Daiichi Sankyo's shares in JVC were acquired by GSK during 2019 at which point, JVC ceased to be a related party.

Loans of £3.8 million to Medicxi Ventures I LP and £10.6 million to Index Ventures Life VI (Jersey) LP remained due to GSK at 31 December 2019. In 2019, GSK increased the investment in Kurma Biofund II, FCPR by £1.1 million and Apollo Therapeutics LLP by £2.1 million. Further investments were also made in Medicxi Ventures I LP of £3.1 million and in Index Ventures Life VI (Jersey) LP of £1.8 million. As part of the joint venture agreement with Qura Therapeutics LLC, the Group has an obligation to fund the joint venture $1 million per quarter up to April 2020. On 26 June 2019, the agreement was extended for a second five-year period up to April 2025, with both GSK and its joint venture partner committing additional financial support in the amount of $20 million. At 31 December 2019, the outstanding liability due to Qura was £16.1 million. Cash distributions were received from our investments in Medicxi Ventures I LP of £18.5 million and in Longwood Founders Fund LP of £2.8 million.

The aggregate compensation of the Directors and CET is given in Note 9, 'Employee costs'.

40. Acquisitions and disposals

Details of the acquisition and disposal of significant subsidiaries and associates, joint ventures and other businesses are given below:

2019
Business acquisitions

Pfizer consumer healthcare business
The acquisition of Pfizer's consumer healthcare business completed on 31 July 2019.

GSK and Pfizer have contributed their respective consumer healthcare businesses into a new Consumer Healthcare Joint Venture in a non-cash transaction, whereby GSK has acquired Pfizer's consumer healthcare business in return for shares in the Joint Venture. GSK has an equity interest of 68% and majority control of the Joint Venture and Pfizer has an equity interest of 32%. As the Group has control over the Consumer Healthcare Joint Venture it is consolidated within the Group's financial statements. In a number of territories, legal completion of the acquisition has not occurred because of regulatory constraints. However, the Consumer Healthcare Joint Venture obtained control of the majority of these businesses in these territories from 31 July 2019 and has consolidated the net assets of those businesses from that date, but in all cases is entitled to the benefits of the trading of businesses in the delayed territories.

The non-controlling interest in the Consumer Healthcare Joint Venture, calculated applying the proportionate goodwill method, represents Pfizer's share of the net assets of the Joint Venture, excluding goodwill.

Goodwill of £3.9 billion, which is not expected to be deductible for tax purposes, has been recognised. The goodwill represents the potential for further synergies arising from combining the acquired businesses with GSK's existing business together with the value of the workforce acquired. Total transaction costs recognised in 2018 and 2019 for the acquisition amounted to £77 million.

Since acquisition on 31 July 2019, sales of £1.2 billion arising from the Pfizer consumer healthcare business have been included in Group turnover. If the business had been acquired at the beginning of the year, it is estimated that Group turnover in 2019 would have been approximately £1.5 billion higher. The business has been integrated into the Group's existing activities and it is not practicable to identify the impact on the Group profit in the period.

Tesaro Inc.
On 22 January 2019, GSK acquired 100% of Tesaro Inc., an oncology focused biopharmaceutical company, for cash consideration of $5.0 billion (£3.9 billion), in order to strengthen the Group's pharmaceutical pipeline. Transaction costs amounted to £31 million.

Goodwill of £1.2 billion, none of which is expected to be tax-deductible, has been recognised. The goodwill represents the potential for further synergies arising from combining the acquired businesses with GSK's existing business together with the value of the workforce acquired. Since acquisition on 22 January 2019, sales of £0.2 billion arising from the Tesaro business have been included in Group turnover. The business has been integrated into the Group's existing activities and it is not practicable to identify the impact on the Group profit in the period.

Notes to the financial statements continued

40. Acquisitions and disposals continued

The fair value of the assets acquired in business combinations, including goodwill, are set out in the table below. Amounts related to the Pfizer consumer healthcare business acquisition are provisional and subject to change.

	Pfizer consumer healthcare business £m	Tesaro £m	Other £m
Net assets acquired:			
Intangible assets	12,357	3,092	–
Property, plant and equipment	354	6	–
Right of use assets	39	40	–
Inventory	986	162	–
Trade and other receivables	546	115	35
Other assets including cash and cash equivalents	302	254	16
Trade and other payables	(779)	(282)	(39)
Net deferred tax liabilities	(2,591)	(252)	–
Other liabilities	(99)	(5)	–
Term loan	–	(445)	–
Non-controlling interest	(3,577)	–	–
Goodwill	3,854	1,169	–
Total	11,392	3,854	12
Consideration settled by shares in GSK Consumer Healthcare Joint Venture	11,392	–	–
Cash consideration paid	–	3,854	6
Fair value of investment in joint venture converted into subsidiary	–	–	6
Total consideration	11,392	3,854	12

The non-controlling interest of £3,577 million represents Pfizer's share of the fair value of the Pfizer consumer healthcare business, excluding goodwill. The total non-controlling interest initially recognised in the Consolidated statement of changes in equity of £6,887 million also includes Pfizer's share of the book value of GSK Consumer Healthcare.

Business disposals

GSK made a number of business disposals for net cash consideration received of £104 million in the year. The profit on the disposal of the businesses in the year of £201 million was calculated as follows:

	£m	Total £m
Cash consideration receivable net of subsidy payable		106
Net assets sold:		
Goodwill	(4)	
Intangible assets	(1)	
Property, plant and equipment	(44)	
Inventory	(7)	
Cash and cash equivalents	(12)	
Other net assets	(4)	
		(72)
Transaction costs		(27)
Reclassification of exchange from other comprehensive income		75
Non-controlling interest divested		16
		98
Transaction signed but not yet completed - gain on embedded derivative		143
Transaction signed but not yet completed - transaction costs		(40)
Total profit on disposal		201

Transaction signed but not yet completed

In December 2018, GSK agreed to divest Horlicks and other Consumer Healthcare nutrition brands to Unilever plc and to form a merger of GlaxoSmithKline Consumer Healthcare Limited with Hindustan Unilever Limited for a total consideration valued at approximately £3.1 billion. GlaxoSmithKline Consumer Healthcare Limited is a public company listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), in which GSK holds a 72.5% stake. Following the merger of GlaxoSmithKline Consumer Healthcare Limited with Hindustan Unilever Limited, a public company listed on the NSE and BSE, GSK will own 133.8 million Hindustan Unilever Limited shares.

40. Acquisitions and disposals continued

The Group has entered into forward foreign exchange contracts in relation to the transaction. Contracts with a value of £1.7 billion have been designated as a cash flow hedge of part of the foreign exposure arising on the transaction. Further contracts with a value of £0.6 billion have been designated as net investment hedges against INR and EUR assets. In addition, the exposure to share price movements in the forward purchase of shares in Hindustan Unilever Limited has been recognised as an embedded derivative. The embedded derivative was in an asset position and had a fair value of £240 million at 31 December 2019 (2018 – £100 million).

Associates and joint ventures

During the year, GSK made investments of £27 million into associates and joint ventures of which £11 million was paid in cash.

Cash flows

	Business acquisitions £m	Business disposals £m	Associates and joint venture investments £m
Cash consideration (paid)/received	(3,860)	161	(11)
Net deferred consideration received	–	29	–
Transaction costs	(95)	(73)	–
Cash and cash equivalents acquired/divested	384	(13)	–
Cash (outflow)/inflow	(3,571)	104	(11)

2018

Business acquisitions

There were no business acquisitions during 2018.

Business disposals

GSK made a number of small business disposals during the year for a net cash consideration of £2 million.

Cash flows

	Business disposals £m	Associates and joint venture investments £m	Associates and joint venture disposals £m
Cash consideration	2	(10)	3
Net deferred consideration received	24	–	–
Cash inflow/(outflow)	26	(10)	3

2017

Business acquisitions

There were no business acquisitions during 2017.

Business disposals

GSK made a number of small business disposals during the year for a net cash consideration of £342 million, including contingent consideration receivable of £86 million. The profit on disposal was determined as follows:

	£m	Total £m
Consideration including currency forwards and purchase adjustments		342
Net assets sold:		
Goodwill	(16)	
Intangible assets	(21)	
Property, plant and equipment	(18)	
Inventory	(11)	
Cash and cash equivalents	(6)	
Other net assets	(5)	
		(77)
Transaction costs		(8)
Reclassification of exchange from other comprehensive income		(100)
Profit on disposal		157

Notes to the financial statements continued

40. Acquisitions and disposals continued

Associates and joint ventures

During the year, GSK made cash investments of £15 million into associates and joint ventures. In addition, GSK sold its holdings in two associates for £198 million in cash.

	Total £m
Cash consideration	198
Net book value of shares	(92)
Reclassification of exchange from other comprehensive income	(7)
Transaction costs	(5)
Profit on disposal	94

Cash flows

	Business disposals £m	Associates and joint venture investments £m	Associates and joint venture disposals £m
Cash consideration	256	(15)	198
Net deferred consideration received	39	–	–
Cash and cash equivalents divested	(6)	–	–
Transaction costs paid	(7)	–	(2)
Cash inflow/(outflow)	282	(15)	196

41. Adjustments reconciling profit after tax to operating cash flows

	2019 £m	2018 £m	2017 £m
Profit after tax	**5,268**	4,046	2,169
Tax on profits	**953**	754	1,356
Share of after-tax profits of associates and joint ventures	**(74)**	(31)	(13)
Finance expense net of finance income	**814**	717	669
Depreciation	**1,231**	954	988
Amortisation of intangible assets	**1,103**	902	934
Impairment and assets written off	**825**	350	1,061
Profit on sale of businesses	**(201)**	(63)	(157)
Profit on sale of intangible assets	**(342)**	(201)	(46)
Profit on sale of investments in associates	**–**	(3)	(94)
Profit on sale of equity investments	**(2)**	(4)	(37)
Gain on Novartis Consumer Healthcare Joint Venture put option hedging	**–**	(513)	–
Business acquisition costs	**59**	47	–
Changes in working capital:			
Decrease/(increase) in inventories	**300**	51	(461)
Increase in trade receivables	**(32)**	(429)	(287)
Increase in trade payables	**263**	131	11
(Increase)/decrease in other receivables	**(160)**	18	74
Contingent consideration paid (see Note 32)	**(780)**	(984)	(594)
Other non-cash increase in contingent consideration liabilities	**83**	1,250	961
Increase in other payables	**89**	2,362	1,741
(Decrease)/increase in pension and other provisions	**(188)**	102	(255)
Share-based incentive plans	**365**	360	333
Fair value adjustments	**19**	(7)	–
Other	**(61)**	(62)	(95)
	4,264	5,701	6,089
Cash generated from operations	**9,532**	9,747	8,258

42. Reconciliation of net cash flow to movement in net debt

	2019 £m	2018 £m	2017 £m
Net debt, as previously reported	**(21,621)**	(13,178)	(13,804)
Implementation of IFRS 16	**(1,303)**	–	–
Net debt at beginning of year, as adjusted	**(22,924)**	(13,178)	(13,804)
Increase/(decrease) in cash and bank overdrafts	**826**	479	(905)
Decrease in liquid investments	**(1)**	–	(4)
Net increase in long-term loans	**(4,794)**	(10,138)	(2,233)
Repayment of short-term Notes	**4,160**	2,067	2,636
(Increase in)/repayment of other short-term loans	**(3,095)**	(81)	564
Repayment of lease liabilities	**214**	28	23
Debt of subsidiary undertakings acquired	**(524)**	–	–
Exchange adjustments	**1,015**	(776)	585
Other non-cash movements	**(92)**	(22)	(40)
Movement in net debt	**(2,291)**	(8,443)	626
Net debt at end of year	**(25,215)**	(21,621)	(13,178)

Analysis of changes in net debt	At 1 January 2019 £m	IFRS 16 Implement-ation £m	Exchange £m	Debt acquired £m	Other £m	Profit and loss £m	Reclass-ifications £m	Cash flow £m	At 31 December 2019 £m
Liquid investments	84	–	(6)	–	–	–	–	1	**79**
Cash and cash equivalents	3,874	–	(86)	–	–	–	(22)	941	**4,707**
Cash and cash equivalents – AHFS	485	–	–	–	–	–	22	–	**507**
Overdrafts	(272)	–	4	–	–	–	–	(115)	**(383)**
	4,087	–	(82)	–	–	–	–	826	**4,831**
Debt due within one year:									
Commercial paper	(630)	–	109	–	–	–	–	(3,065)	**(3,586)**
European/US Medium Term Notes and bank facilities	(4,849)	–	233	(445)	(1)	–	(1,756)	4,160	**(2,658)**
Lease liabilities	(24)	(229)	4	(19)	5	–	(2)	25	**(240)**
Other	(18)	–	2	–	(5)	–	–	(30)	**(51)**
	(5,521)	(229)	348	(464)	(1)	–	(1,758)	1,090	**(6,535)**
Debt due after one year:									
European/US Medium Term Notes and bank facilities	(20,227)	–	715	–	(3)	(27)	1,756	(4,794)	**(22,580)**
Lease liabilities	(44)	(1,074)	40	(60)	(101)	–	2	227	**(1,010)**
	(20,271)	(1,074)	755	(60)	(104)	(27)	1,758	(4,567)	**(23,590)**
Net debt	(21,621)	(1,303)	1,015	(524)	(105)	(27)	–	(2,650)	**(25,215)**
Analysis of changes in liabilities from financing activities									
Debt due within one year	(5,521)	(229)	348	(464)	(1)	–	(1,758)	1,090	**(6,535)**
Debt due after one year	(20,271)	(1,074)	755	(60)	(104)	(27)	1,758	(4,567)	**(23,590)**
Hedge of borrowings:									
Derivative financial instruments	129	–	(1)	–	188	21	–	(2)	**335**
Other financing items	–	–	(189)	–	–	–	–	189	–
Interest payable	(239)	–	1	–	(3)	(898)	–	895	**(244)**
Total liabilities from financing activities	(25,902)	(1,303)	914	(524)	80	(904)	–	(2,395)	**(30,034)**

For further information on significant changes in net debt see Note 29, ‘Net debt’.

43. Financial instruments and related disclosures

The objective of GSK's Treasury activity is to minimise the post-tax net cost of financial operations and reduce its volatility to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise of foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates. These financial instruments reduce the uncertainty of foreign currency transactions and interest payments.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

GSK's financial strategy supports the Group's strategic priorities and is regularly reviewed by the Board. GSK manages the capital structure of the Group through an appropriate mix of debt and equity.

The capital structure of the Group consists of net debt of £25.2 billion (see Note 29, 'Net debt') and total equity, including items related to non-controlling interests, of £18.4 billion (see 'Consolidated statement of changes in equity' on page 168). Total capital, including that provided by non-controlling interests, is £43.6 billion.

The Group continues to manage its financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets. The Group's long-term credit rating with Standard and Poor's is A+ (negative outlook) and with Moody's Investor Services ('Moody's') it is A2 (negative outlook). The Group's short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

At 31 December 2019, GSK had £6.9 billion of borrowings repayable within one year and held £5.3 billion of cash and cash equivalents and liquid investments of which £3.6 billion was held centrally. GSK has access to short-term finance under a $10 billion (£7.6 billion) US commercial paper programme; $4.8 billion (£3.6 billion) was in issue at 31 December 2019 (2018 – $0.8 billion (£0.6 billion)). GSK has a £1.9 billion three-year committed facility and a $2.5 billion (£1.9 billion) 364-day committed facility. Both the three-year committed facility and the 364-day committed facility were agreed in September 2019. These facilities were undrawn at 31 December 2019. GSK considers this level of committed facilities to be adequate, given current liquidity requirements.

Additional bank facilities were agreed in 2018 to support transactions and one remains active at 31 December 2019. In June 2018, £3.5 billion was drawn to support the acquisition from Novartis of the remaining stake in the Consumer Healthcare Joint Venture. £2.5 billion was repaid in November 2019 leaving £1.0 billion outstanding at 31 December 2019. In December 2019, this facility was extended to June 2020.

GSK has a £20.0 billion European Medium Term Note programme and at 31 December 2019, £11.8 billion of notes were in issue under this programme. The Group also had $16.4 billion (£12.4 billion) of notes in issue at 31 December 2019 under a US shelf registration. GSK's borrowings mature at dates between 2020 and 2045.

The put option owned by Pfizer in ViiV Healthcare is exercisable. In reviewing liquidity requirements GSK considers that sufficient financing options are available should the put option be exercised.

Market risk

Interest rate risk management

The objective of GSK's Treasury activity is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating rates over time.

The Group's main interest rate risk arises from borrowings and investments with floating rates and refinancing of maturing fixed rate debt where any changes in interest rates will affect future cash flows or the fair values of financial instruments. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge. This includes some borrowings for which interest rate swaps are in place which removes the impact of the associated periodic repricing. Short-term borrowings including bank facilities are exposed to the risk of future changes in market interest rate as are the majority of cash and liquid investments.

Interest rate benchmark reform

'Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7' was issued by the IASB in September 2019. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

At 31 December 2019, the Group was not directly exposed to interest rate benchmark reform as it held no interest rate derivatives that referenced LIBOR and matured after the end of 2021 and all floating rate bonds were due to mature before the end of 2021.

43. Financial instruments and related disclosures continued

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators, including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission, regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and EURIBOR) to the Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Euro Short-Term Rate (€STR) respectively. The FCA has made it clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

The Group is undertaking an interest rate benchmark transition programme to identify potential exposures within the business and deliver a smooth transition to appropriate alternative benchmark rates.

Foreign exchange risk management

The Group's objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. Foreign currency transaction exposures arising on external and internal trade flows are selectively hedged. GSK's internal trading transactions are matched centrally and inter-company payment terms are managed to reduce foreign currency risk. Where possible, GSK manages the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, the Group seeks to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars, Euros and Sterling. Borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas assets (see 'Net investment hedges' section of this note for further details).

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises on cash and cash equivalents and favourable derivative financial instruments held with banks and financial institutions as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The Group considers its maximum credit risk at 31 December 2019 to be £12,944 million (31 December 2018 – £11,080 million) which is the total of the Group's financial assets with the exception of 'Other investments' (comprising equity investments) which bear equity risk rather than credit risk. See page 231 for details on the Group's total financial assets. At 31 December 2019, GSK's greatest concentration of credit risk was £0.9 billion with Legal and General Investment Management Class 4 GBP liquidity fund (AAA/Aaa) (2018 – £0.7 billion with Citibank (A/A1)).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for financial assets at amortised cost since the adoption of IFRS 9 at the start of the 2018 reporting period.

Treasury-related credit risk

GSK sets global counterparty limits for each of GSK's banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Usage of these limits is monitored daily.

GSK actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of GSK's strategy to regionalise cash management and to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives.

The gross asset position on each derivative contract is considered for the purpose of this table, although, under ISDA agreements, the amount at risk is the net position with each counterparty. Table (e) on page 239 sets out the Group's financial assets and liabilities on an offset basis.

At 31 December 2019, £23 million of cash is categorised as held with unrated or sub-investment grade rated counterparties (lower than BBB-/Baa3) of which £2 million is cash in transit. The remaining exposure is concentrated in overseas banks used for local cash management or investment purposes, including: £8 million in Nigeria held with United Bank for Africa, Zenith Bank and Stanbic IBTC Bank; £3 million with BTV in Austria; £1 million with Bradesco in Brazil; £1 million with Banco de la Nacion in Panama; and £1 million with Halk Bank in the UK. Of the £605 million of bank balances and deposits held with BBB/Baa rated counterparties, £46 million was held with BBB-/Baa3 rated counterparties, including balances or deposits of £25 million with HDFC Bank in India and £20 million with State Bank of India. These banks are used for local investment purposes.

GSK measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12 month default rates. Expected credit losses over cash and cash equivalents and third-party financial derivatives are deemed to be immaterial and no such loss has been experienced during 2019.

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

Credit ratings are assigned by Standard and Poor's and Moody's respectively. Where the opinions of the two rating agencies differ, GSK assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard and Poor's or Moody's using published conversion tables. These credit ratings form the basis of the assessment of the expected credit loss on Treasury related balances held at amortised cost being bank balances and deposits and Government securities.

2019	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	**Total £m**
Bank balances and deposits	–	538	1,906	605	23	**3,072**
US Treasury and Treasury repo only money market funds	102	–	–	–	–	**102**
Liquidity funds	2,040	–	–	–	–	**2,040**
Government securities	–	78	–	1	–	**79**
3rd party financial derivatives	–	35	225	10	–	**270**
Total	2,142	651	2,131	616	23	**5,563**

2018	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	Total £m
Bank balances and deposits	–	662	1,275	381	20	**2,338**
US Treasury and Treasury repo only money market funds	449	–	–	–	–	**449**
Liquidity funds	1,572	–	–	–	–	**1,572**
Government securities	–	83	–	1	–	**84**
3rd party financial derivatives	–	19	127	4	–	**150**
Total	2,021	764	1,402	386	20	**4,593**

GSK's centrally managed cash reserves amounted to £3.6 billion at 31 December 2019, all available within three months. This includes £1.3 billion of cash managed by the Group for ViiV Healthcare, a 78.3% owned subsidiary and £1.0 billion of cash managed by the Group for GSK Consumer Healthcare, a 68% owned subsidiary. The Group has invested centrally managed liquid assets in bank deposits, Aaa/AAA rated US Treasury and Treasury repo only money market funds and Aaa/AAA rated liquidity funds.

Wholesale and retail credit risk

Outside the US, no customer accounts for more than 5% of the Group's trade receivables balance.

In the US, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesalers amounted to approximately 78% of the sales of the US Pharmaceuticals and Vaccines businesses in 2019. At 31 December 2019, the Group had trade receivables due from these three wholesalers totalling £2,079 million (2018 – £2,134 million). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results.

The Group's credit risk monitoring activities relating to these wholesalers include a review of their quarterly financial information and Standard & Poor's credit ratings, development of GSK internal risk ratings, and establishment and periodic review of credit limits.

All new customers are subject to a credit vetting process and existing customers will be subject to a review at least annually. The vetting process and subsequent reviews involve obtaining information including the customer's status as a government or private sector entity, audited financial statements, credit bureau reports, debt rating agency (e.g. Moody's, Standard & Poor's) reports, payment performance history (from trade references, industry credit groups) and bank references.

Trade receivables consist of amounts due from a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased or factoring arrangements put in place.

The amount of information obtained is proportional to the level of exposure being considered. The information is evaluated quantitatively (i.e. credit score) and qualitatively (i.e. judgement) in conjunction with the customer's credit requirements to determine a credit limit.

Trade receivables are grouped into customer segments that have similar loss patterns to assess credit risk while other receivables and other financial assets are assessed individually. Historical and forward-looking information is considered to determine the appropriate expected credit loss allowance. The Group believes there is no further credit risk provision required in excess of the allowance for expected credit losses (see Note 25, 'Trade and other receivables').

43. Financial instruments and related disclosures continued

Credit enhancements
The Group uses credit enhancements including factoring and credit insurance to minimise the credit risk of the trade receivables in the Group. At 31 December 2019, £250 million (2018 – £240 million) of GSK trade receivables were insured protecting GSK's trade receivables balance from loss due to credit risks such as default, insolvency and bankruptcy.

Each Group entity assesses the credit risk of its private customers to determine if credit insurance is required.

Factoring arrangements are managed locally by entities and are used to mitigate risk arising from large credit risk concentrations. All factoring arrangements are non-recourse.

Fair value of financial assets and liabilities
The table on page 231 presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2019 and 31 December 2018.

The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions are used to measure the fair values of significant financial instruments carried at fair value on the balance sheet:

– Other investments – equity investments traded in an active market determined by reference to the relevant stock exchange quoted bid price; other equity investments determined by reference to the current market value of similar instruments, recent financing rounds or the discounted cash flows of the underlying net assets
– Trade receivables – based on invoiced amount
– Interest rate swaps, foreign exchange forward contracts, swaps and options – based on the present value of contractual cash flows or option valuation models using market sourced data (exchange rates or interest rates) at the balance sheet date
– Company-owned life insurance policies – based on cash surrender value
– Cash and cash equivalents – based on net asset value of the funds
– Contingent consideration for business acquisitions and divestments – based on present values of expected future cash flows.

The following methods and assumptions are used to estimate the fair values of significant financial instruments which are not measured at fair value on the balance sheet:

– Receivables and payables, including put options – approximates to the carrying amount
– Liquid investments – approximates to the carrying amount
– Cash and cash equivalents – approximates to the carrying amount
– Long-term loans – based on quoted market prices (a level 1 fair value measurement) in the case of European and US Medium Term Notes; approximates to the carrying amount in the case of other fixed rate borrowings and floating rate bank loans
– Short-term loans, overdrafts and commercial paper – approximates to the carrying amount because of the short maturity of these instruments
– Lease liabilities – approximates to the carrying amount.

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

	Notes	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Financial assets measured at amortised cost:					
Other non-current assets	b	**76**	**76**	49	49
Trade and other receivables	b	**4,533**	**4,533**	3,761	3,761
Liquid investments		**79**	**79**	84	84
Cash and cash equivalents		**3,072**	**3,072**	2,338	2,338
Other items in Assets held for sale	b	**69**	**69**	47	47
Financial assets measured at fair value through other comprehensive income (FVTOCI):					
Other investments designated at FVTOCI	a	**1,781**	**1,781**	1,250	1,250
Trade and other receivables	a,b	**1,665**	**1,665**	1,687	1,687
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):					
Other investments	a	**56**	**56**	72	72
Other non-current assets	a,b	**787**	**787**	716	716
Trade and other receivables	a,b	**44**	**44**	120	120
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	**357**	**357**	188	188
Cash and cash equivalents	a	**2,142**	**2,142**	2,021	2,021
Derivatives designated and effective as hedging instruments (fair value movements through Other comprehensive income)	a,d,e	**167**	**167**	69	69
Total financial assets		**14,828**	**14,828**	12,402	12,402
Financial liabilities measured at amortised cost:					
Borrowings excluding obligations under lease liabilities:					
– bonds in a designated hedging relationship	d	**(8,636)**	**(9,085)**	(8,213)	(8,279)
– other bonds		**(15,582)**	**(19,048)**	(13,307)	(15,475)
– bank loans and overdrafts		**(416)**	**(416)**	(290)	(290)
– commercial paper		**(3,586)**	**(3,586)**	(630)	(630)
– other borrowings		**(1,038)**	**(1,038)**	(3,556)	(3,556)
Total borrowings excluding lease liabilities	f	**(29,258)**	**(33,173)**	(25,996)	(28,230)
Lease liabilities		**(1,250)**	**(1,250)**	(68)	(68)
Total borrowings		**(30,508)**	**(34,423)**	(26,064)	(28,298)
Trade and other payables	c	**(14,177)**	**(14,177)**	(13,338)	(13,338)
Other provisions	c	**(94)**	**(94)**	(58)	(58)
Other non-current liabilities	c	**(84)**	**(84)**	(149)	(149)
Other items in Assets held for sale	c	**(126)**	**(126)**	(167)	(167)
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):					
Contingent consideration liabilities	a,c	**(5,479)**	**(5,479)**	(6,286)	(6,286)
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	**(141)**	**(141)**	(23)	(23)
Derivatives designated and effective as hedging instruments (fair value movements through Other comprehensive income)	a,d,e	**(48)**	**(48)**	(105)	(105)
Total financial liabilities		**(50,657)**	**(54,572)**	(46,190)	(48,424)
Net financial assets and financial liabilities		**(35,829)**	**(39,744)**	(33,788)	(36,022)

The valuation methodology used to measure fair value in the above table is described and categorised on page 230.

Trade and other receivables, Other non-current assets, Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and Other items in Assets held for sale are reconciled to the relevant Notes on pages 233 and 234.

Cash and cash equivalents in the table above include £507 million reported in Assets held for sale (see Note 27, ‘Assets held for sale’).

43. Financial instruments and related disclosures continued

Fair value of investments in GSK shares

At 31 December 2019, the Employee Share Ownership Plan (ESOP) Trusts held GSK shares with a carrying value of £135 million (2018 – £161 million) and a market value of £647 million (2018 – £619 million) based on quoted market price. The shares are held by the ESOP Trusts to satisfy future exercises of options and awards under employee incentive schemes. In 2019, the carrying value, which is the lower of cost or expected proceeds, of these shares has been recognised as a deduction from other reserves. At 31 December 2019, GSK held Treasury shares at a cost of £5,505 million (2018 – £5,800 million) which has been deducted from retained earnings.

(a) Financial instruments held at fair value

The following tables categorise the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3. Other investments classified as Level 3 in the tables below comprise equity investments in unlisted entities with which the Group has entered into research collaborations and also investments in emerging life science companies.

At 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Financial assets at fair value				
Financial assets measured at fair value through other comprehensive income (FVTOCI):				
Other investments designated at FVTOCI	1,128	–	653	**1,781**
Trade and other receivables	–	1,665	–	**1,665**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Other investments	–	–	56	**56**
Other non-current assets	–	743	44	**787**
Trade and other receivables	–	44	–	**44**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	353	4	**357**
Cash and cash equivalents	2,142	–	–	**2,142**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	167	–	**167**
	3,270	2,972	757	**6,999**
Financial liabilities at fair value				
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(5,479)	**(5,479)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(141)	–	**(141)**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	(48)	–	**(48)**
	–	(189)	(5,479)	**(5,668)**

At 31 December 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value				
Financial assets at fair value through other comprehensive income (FVTOCI):				
Other investments designated at FVTOCI	656	–	594	**1,250**
Trade and other receivables	–	1,687	–	**1,687**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Other investments	–	–	72	**72**
Other non-current assets	–	675	41	**716**
Trade and other receivables	–	79	41	**120**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	182	6	**188**
Cash and cash equivalents	2,021	–	–	**2,021**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	69	–	**69**
	2,677	2,692	754	**6,123**
Financial liabilities at fair value				
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(6,286)	**(6,286)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(23)	–	**(23)**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	(105)	–	**(105)**
	–	(128)	(6,286)	**(6,414)**

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

Movements in the year for financial instruments measured using Level 3 valuation methods are presented below:

	2019 £m	2018 £m
At 1 January	**(5,532)**	(5,657)
Net losses recognised in the income statement	**(103)**	(1,229)
Net gains recognised in other comprehensive income	**31**	146
Settlement of contingent consideration liabilities	**893**	1,137
Settlement of contingent consideration receivables	**(42)**	(42)
Additions	**241**	381
Disposals and settlements	**(33)**	(27)
Transfers from Level 3	**(174)**	(241)
Other movements	**(3)**	–
At 31 December	**(4,722)**	(5,532)

Net losses of £103 million (2018 – £1,229 million) attributable to Level 3 financial instruments which were recognised in the income statement included net losses of £97 million (2018 – £1,229 million) in respect of financial instruments which were held at the end of the year. Losses of £105 million (2018 – £1,229 million) were reported in Other operating income and gains of £2 million (2018 – £nil) were reported in Finance income. Charges of £31 million (2018 – £1,188 million) arose from remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture and £67 million (2018 – £56 million) arose from remeasurement of the contingent consideration payable for the acquisition of the Novartis Vaccines business. Net gains of £31 million (2018 – £146 million) attributable to Level 3 financial instruments reported in Other comprehensive income as Fair value movements on equity investments included net gains of £38 million (2018 – net gains of £140 million) in respect of financial instruments held at the end of the year, of which net gains of £174 million (2018 – net gains of £98 million) arose prior to transfer from Level 3 on equity investments which transferred to a Level 1 valuation methodology as a result of listing on a recognised stock exchange during the year. Net gains and losses include the impact of exchange movements.

Financial liabilities measured using Level 3 valuation methods at 31 December included £5,103 million (2018 – £5,937 million) in respect of contingent consideration payable for the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products and movements in certain foreign currencies. They also included £339 million (2018 – £296 million) in respect of contingent consideration for the acquisition in 2015 of the Novartis Vaccines business. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products, the achievement of certain milestone targets and movements in certain foreign currencies. Sensitivity analysis on these balances is provided in Note 32, ‘Contingent consideration liabilities’.

(b) Trade and other receivables, Other non-current assets and other items in Assets held for sale in scope of IFRS 9

The following table reconciles financial instruments within Trade and other receivables, Other non-current assets and other items in Assets held for sale which fall within the scope of IFRS 9 to the relevant balance sheet amounts. The financial assets are predominantly non-interest earning. Financial instruments within the Other non-current assets balance include company-owned life insurance policies. Non-financial instruments include tax receivables, pension surplus balances and prepayments, which are outside the scope of IFRS 9.

	2019						2018					
	At FVTPL £m	At FVTOCI £m	Amortised cost £m	**Financial instruments £m**	**Non-financial instruments £m**	**Total £m**	At FVTPL £m	At FVTOCI £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other receivables (Note 25)	44	1,665	4,533	**6,242**	**960**	**7,202**	120	1,687	3,761	5,568	855	6,423
Other non-current assets (Note 23)	787	–	76	**863**	**157**	**1,020**	716	–	49	765	811	1,576
Other items in Assets held for sale (Note 27)	–	–	69	**69**	**22**	**91**	–	–	47	47	37	84
	831	1,665	4,678	**7,174**	**1,139**	**8,313**	836	1,687	3,857	6,380	1,703	8,083

43. Financial instruments and related disclosures continued

(c) Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and other items in Assets held for sale in scope of IFRS 9

The following table reconciles financial instruments within Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and other items in Assets held for sale which fall within the scope of IFRS 9 to the relevant balance sheet amounts. The financial liabilities are predominantly non-interest bearing. Accrued wages and salaries are included within financial liabilities. Non-financial instruments includes payments on account, tax and social security payables and provisions which do not arise from contractual obligations to deliver cash or another financial asset, which are outside the scope of IFRS 9.

	2019					2018				
	At FVTPL £m	Amortised cost £m	**Financial instruments £m**	**Non-financial instruments £m**	**Total £m**	At FVTPL £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other payables (Note 28)	–	(14,177)	**(14,177)**	**(762)**	**(14,939)**	–	(13,338)	(13,338)	(699)	(14,037)
Other provisions (Note 31)	–	(94)	**(94)**	**(1,197)**	**(1,291)**	–	(58)	(58)	(1,365)	(1,423)
Other non-current liabilities (Note 33)	–	(84)	**(84)**	**(760)**	**(844)**	–	(149)	(149)	(789)	(938)
Contingent consideration liabilities (Note 32)	(5,479)	–	**(5,479)**	**–**	**(5,479)**	(6,286)	–	(6,286)	–	(6,286)
Other items in Assets held for sale (Note 27)	–	(126)	**(126)**	**(87)**	**(213)**	–	(167)	(167)	(53)	(220)
	(5,479)	(14,481)	**(19,960)**	**(2,806)**	**(22,766)**	(6,286)	(13,712)	(19,998)	(2,906)	(22,904)

(d) Derivative financial instruments and hedging programmes

Derivatives are only used for economic hedging purposes and not as speculative investments and are classified as 'held for trading', other than designated and effective hedging instruments, and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current. The Group has the following derivative financial instruments:

	2019 Fair value		2018 Fair value	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Non-current				
Cash flow hedges – Interest rate swap contracts (principal amount – £850 million (2018 – £1,267 million))	**1**	**–**	–	(1)
Net investment hedges – Cross currency swaps (principal amount – £1,514 million (2018 – £1,575 million))	**98**	**–**	64	–
Current				
Cash flow hedges – Interest rate swap contracts (principal amount – £637 million (2018 –£nil))	**–**	**(1)**	–	–
Cash flow hedges – Foreign exchange contracts (principal amount – £1,746 million (2018 – £1,809 million))	**24**	**(17)**	1	(56)
Net investment hedges – Foreign exchange contracts (principal amount – £9,376 million (2018 – £7,316 million))	**44**	**(30)**	4	(48)
Derivatives designated and effective as hedging instruments	**167**	**(48)**	69	(105)
Non-current				
Embedded and other derivatives	**4**	**(1)**	4	–
Current				
Foreign exchange contracts (principal amount – £18,856 million (2018 – £18,537 million))	**103**	**(140)**	82	(23)
Embedded and other derivatives	**250**	**–**	102	–
Derivatives classified as held for trading	**357**	**(141)**	188	(23)
Total derivative instruments	**524**	**(189)**	257	(128)

Fair value hedges

At 31 December 2019, the Group had no designated fair value hedges.

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

Net investment hedges

At 31 December 2019, certain foreign exchange contracts were designated as net investment hedges in respect of the foreign currency translation risk arising on consolidation of the Group's net investment in its European (Euro), Singaporean (SGD), Indian (INR) and Japanese (JPY) foreign operations as shown in the table above.

The carrying value of bonds on page 231 included £8,636 million (2018 – £8,213 million) that were designated as hedging instruments in net investment hedges.

Cash flow hedges

During 2018 and 2019, the Group entered into forward foreign exchange contracts which have been designated as cash flow hedges. These were entered into to hedge the foreign exchange exposure arising on cash flows from Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme, on the buyout of Novartis' non-controlling interest in the Consumer Healthcare Joint Venture in 2018, on the planned divestment of Horlicks and other nutrition brands in 2019 and on refinancing existing debt maturities.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. In addition, the Group carries a balance in reserves that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years and in the current year. The balance is reclassified to finance costs over the life of these bonds.

Foreign exchange risk

In the current year, the Group has designated certain foreign exchange forward contracts and swaps as cash flow and net investment hedges. Foreign exchange derivative financial assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet. The following tables detail the foreign exchange forward contracts and swaps outstanding at the end of the reporting period, as well as information on the related hedged items. The notional value of foreign exchange forward contracts and swaps is the absolute total of outstanding positions at the balance sheet date.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts and swaps, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates and ineffectiveness on rolling the cash flow hedges of the divestments mentioned above. No other sources of ineffectiveness emerged from these hedging relationships. Ineffectiveness to be recorded from cash flow hedges amounted to £7 million in 2019 (2018 – £nil). No ineffectiveness was recorded from net investments hedges (2018 – £nil).

Included in the table below under 'Borrowings' are bonds with notional value of US$2 billion that have been swapped to fixed interest rate EUR debt with a cross currency interest rate swap.

			2019	
Hedging instruments	Average exchange rate	Foreign currency	Notional value £m	Carrying value £m
Cash flow hedges				
Foreign exchange contracts				
Buy foreign currency:				
3 to 6 months	1.14	EUR	47	(1)
Over 6 months	1.15	EUR	23	–
Sell foreign currency:				
Less than 3 months	93.85	INR/GBP	999	5
Less than 3 months	52.82	INR/SGD	677	3
			1,746	7

43. Financial instruments and related disclosures continued

Hedging instruments	Average exchange rate	Foreign currency	2019 Notional value £m	2019 Carrying value £m
Net investment hedges				
Foreign exchange contracts				
Sell foreign currency:				
Less than 3 months	1.18	EUR	8,250	2
Less than 3 months	1.77	SGD	471	3
Less than 3 months	92.23	INR	239	6
Less than 3 months	142.26	JPY	416	3
Borrowings (including cross currency interest rate swaps):				
3 to 6 months		EUR	638	(638)
Over 6 months		EUR	7,914	(7,998)
			17,928	(8,622)

Hedged items	Periodic change in value for calculating hedge ineffectiveness £m	2019 Cumulative balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges £m
Cash flow hedges		
Variability in cash flows from a highly probable forecast transaction	(7)	(42)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	(1)	1
Net investment hedges		
Net investment in foreign operations	(987)	(1,080)

There are no balances in the cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied.

Hedging instruments	Average exchange rate	Foreign currency	2018 Notional value £m	2018 Carrying value £m
Cash flow hedges				
Foreign exchange contracts				
Buy foreign currency:				
3 to 6 months	1.13	EUR	26	1
Sell foreign currency:				
Over 6 months	96.40	INR	1,783	(56)
			1,809	(55)
Net investment hedges				
Foreign exchange contracts				
Sell foreign currency:				
Less than 3 months	1.11	EUR	6,933	(40)
Over 6 months	1.11	EUR	383	(4)
Borrowings (including cross currency interest rate swaps):				
Over 6 months		EUR	8,155	(8,213)
			15,471	(8,257)

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

	2018	
Hedged items	Periodic change in value for calculating hedge ineffectiveness £m	Cumulative balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges £m
Cash flow hedges		
Variability in cash flows from a highly probable forecast transaction	56	(49)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	(1)	1
Net investment hedges		
Net investment in European foreign operations	286	(2,067)

There are no balances in the cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

				2019		
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows from a highly probable forecast transaction	–	(7)	Other operating income/ (expense)	–	–	Other operating income/ (expense)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	1	–	Finance income/ (expense)	–	–	Finance income/ (expense)
Net investment hedges						
Net investment in foreign operations	987	–	Finance income/ (expense)	–	–	Finance income/ (expense)

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

				2018		
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows from a highly probable forecast transaction	127	–	Other operating income/ (expense)	–	(176)	Other operating income/ (expense)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	1	–	Finance income/ (expense)	–	–	Finance income/ (expense)
Net investment hedges						
Net investment in European foreign operations	(286)	–	Finance income/ (expense)	–	–	Finance income/ (expense)

43. Financial instruments and related disclosures continued

Interest rate risk

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, where at quarterly intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts are exchanged.

The interest rate swap contracts, exchanging floating rate interest for fixed interest, have been designated as cash flow hedges to hedge the variability of the interest cash flows associated with floating rate debt relating to notes issued under the Group's European Medium Term Note programme. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments affect profit or loss.

The critical terms of the interest rate swap contracts and their corresponding hedged items are the same. A qualitative assessment of effectiveness is performed and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main sources of ineffectiveness in these hedge relationships are the effects of the Group's own credit risk on the fair value of the interest rate swap contracts, which are not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables provide information regarding interest rate swap contracts outstanding and the related hedged items at 31 December 2019 and 31 December 2018. Interest rate swap contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet.

				2019
Hedging instruments	Average contracted fixed rate %	Notional principal value £m	Change in fair value for recognising hedge ineffectiveness £m	Fair value assets/ (liabilities) £m
Less than 1 year	0.11	637	–	(1)
1 to 2 years	0.13	1,418	(6)	33

		2019
Hedged items	Change in value used for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve for continuing hedges £m
Variable rate borrowings	6	4

				2018
Hedging instruments	Average contracted fixed rate %	Notional principal value £m	Change in fair value for recognising hedge ineffectiveness £m	Fair value assets/ (liabilities) £m
1 to 2 years	0.11	676	–	(1)
2 to 5 years	0.16	591	–	23

		2018
Hedged items	Change in value used for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve for continuing hedges £m
Variable rate borrowings	3	(3)

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

	2019					
				Amount reclassified to profit or loss		
	Hedging gains/ (losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows	(7)	–	Finance income/ (expense)	–	(2)	Finance income/ (expense)
Pre-hedging of long-term interest rates	(12)	–	Finance income/ (expense)	–	3	Finance income/ (expense)

	2018					
				Amount reclassified to profit or loss		
	Hedging gains/ (losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows	(3)	–	Finance income/ (expense)	–	(2)	Finance income/ (expense)
Pre-hedging of long-term interest rates	15	–	Finance income/ (expense)	–	3	Finance income/ (expense)

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

The following tables set out the financial assets and liabilities that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2019 and 31 December 2018. The column 'Net amount' shows the impact on the Group's balance sheet if all offset rights were exercised.

At 31 December 2019	Gross financial assets/ (liabilities) £m	Financial (liabilities)/ assets offset £m	**Net financial assets/ (liabilities) £m**	Related amounts not offset £m	Net amount £m
Financial assets					
Trade and other receivables	6,246	(4)	**6,242**	(62)	6,180
Derivative financial instruments	524	–	**524**	(131)	393
Financial liabilities					
Trade and other payables	(14,181)	4	**(14,177)**	62	(14,115)
Derivative financial instruments	(189)	–	**(189)**	131	(58)

43. Financial instruments and related disclosures continued

At 31 December 2018	Gross financial assets/ (liabilities) £m	Financial (liabilities)/ assets offset £m	Net financial assets/ (liabilities) £m	Related amounts not offset £m	Net balance £m
Financial assets					
Trade and other receivables	5,568	–	5,568	(37)	5,531
Derivative financial instruments	257	–	257	(62)	195
Financial liabilities					
Trade and other payables	(13,338)	–	(13,338)	37	(13,301)
Derivative financial instruments	(128)	–	(128)	62	(66)

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party. As there is presently not a legally enforceable right of offset, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

(f) Debt interest rate repricing table

The following table sets out the exposure of the Group to interest rates on debt, including commercial paper. The maturity analysis of fixed rate debt is stated by contractual maturity and of floating rate debt by interest rate repricing dates. For the purpose of this table, debt is defined as all classes of borrowings other than lease liabilities.

	2019 Total debt £m	2018 Total £m
Floating and fixed rate debt less than one year	**(6,678)**	(5,769)
Between one and two years	**(3,235)**	(1,757)
Between two and three years	**(2,643)**	(1,570)
Between three and four years	**(2,308)**	(1,568)
Between four and five years	**(1,595)**	(2,010)
Between five and ten years	**(5,904)**	(5,833)
Greater than ten years	**(6,895)**	(7,489)
Total	**(29,258)**	(25,996)
Original issuance profile:		
Fixed rate interest	**(21,763)**	(20,322)
Floating rate interest	**(7,495)**	(5,635)
Total interest bearing	**(29,258)**	(25,957)
Non-interest bearing	**–**	(39)
	(29,258)	(25,996)

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

(g) Sensitivity analysis

The tables below illustrate the estimated impact on the income statement and equity as a result of hypothetical market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The range of variables chosen for the sensitivity analysis reflects management's view of changes which are reasonably possible over a one-year period.

Foreign exchange sensitivity

The Group operates internationally and is primarily exposed to foreign exchange risk in relation to Sterling against movements in US Dollar, Euro and Japanese Yen. Foreign exchange risk arises from the translation of financial assets and liabilities which are not in the functional currency of the entity that holds them. Based on the Group's net financial assets and liabilities as at 31 December, a weakening and strengthening of Sterling against these currencies, with all other variables held constant, is illustrated in the tables below. The tables exclude financial instruments that expose the Group to foreign exchange risk where this risk is fully hedged with another financial instrument.

Income statement impact of non-functional currency foreign exchange exposures	**2019 Increase/(decrease) in income £m**	2018 Increase/(decrease) in income £m
10 cent appreciation of the US Dollar	**3**	36
10 cent appreciation of the Euro	**(29)**	(7)
10 yen appreciation of the Yen	**–**	15

Income statement impact of non-functional currency foreign exchange exposures	**2019 Increase/(decrease) in income £m**	2018 Increase/(decrease) in income £m
10 cent depreciation of the US Dollar	**(3)**	(30)
10 cent depreciation of the Euro	**25**	6
10 yen depreciation of the Yen	**–**	(13)

The equity impact, shown below, for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging the Group's net investments in its European (Euro) foreign operations and cash flow hedges of its foreign exchange exposure arising on Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme.

Equity impact of non-functional currency foreign exchange exposures	**2019 Increase/(decrease) in equity £m**	2018 Increase/(decrease) in equity £m
10 cent appreciation of the Euro	**(1,561)**	(1,307)

Equity impact of non-functional currency foreign exchange exposures	**2019 Increase/(decrease) in equity £m**	2018 Increase/(decrease) in equity £m
10 cent depreciation of the Euro	**1,316**	1,091

43. Financial instruments and related disclosures continued

The tables below present the Group's sensitivity to a weakening and strengthening of Sterling against the relevant currency based on the composition of net debt as shown in Note 29 adjusted for the effects of foreign exchange derivatives that are not part of net debt but affect future foreign currency cash flows.

Impact of foreign exchange movements on net debt	2019 (Increase)/decrease in net debt £m	2018 (Increase)/decrease in net debt £m
10 cent appreciation of the US Dollar	(1,051)	(714)
10 cent appreciation of the Euro	74	(60)
10 yen appreciation of the Yen	(5)	15

Impact of foreign exchange movements on net debt	2019 (Increase)/decrease in net debt £m	2018 (Increase)/decrease in net debt £m
10 cent depreciation of the US Dollar	903	610
10 cent depreciation of the Euro	(63)	50
10 yen depreciation of the Yen	5	(13)

Interest rate sensitivity

The Group is exposed to interest rate risk on its outstanding borrowings and investments where any changes in interest rates will affect future cash flows or the fair values of financial instruments.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge, although the majority of cash and liquid investments earn floating rates of interest.

The table below hypothetically shows the Group's sensitivity to changes in interest rates in relation to Sterling, US Dollar and Euro floating rate financial assets and liabilities. If the interest rates applicable to floating rate financial assets and liabilities were to have increased by 1% (100 basis points), and assuming other variables had remained constant, it is estimated that the Group's finance income for 2019 would have decreased by approximately £9 million (2018 – £13 million decrease). A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity.

Income statement impact of interest rate movements	2019 Increase/(decrease) in income £m	2018 Increase/(decrease) in income £m
1% (100 basis points) increase in Sterling interest rates	14	(2)
1% (100 basis points) increase in US Dollar interest rates	(4)	1
1% (100 basis points) increase in Euro interest rates	(19)	(12)

Notes to the financial statements continued

43. Financial instruments and related disclosures continued

(h) Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following tables provide an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as all classes of borrowings except for lease liabilities. Interest is calculated based on debt held at 31 December without taking account of future issuance. Floating rate interest is estimated using the prevailing interest rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at 31 December.

At 31 December 2019	Debt £m	Interest on debt £m	Lease liabilities £m	Finance charge on lease liabilities £m	Trade payables and other liabilities not in net debt £m	**Total £m**
Due in less than one year	(6,678)	(780)	(240)	(41)	(14,952)	**(22,691)**
Between one and two years	(3,232)	(742)	(227)	(36)	(912)	**(5,149)**
Between two and three years	(2,651)	(667)	(119)	(30)	(806)	**(4,273)**
Between three and four years	(2,318)	(600)	(105)	(23)	(835)	**(3,881)**
Between four and five years	(1,607)	(559)	(93)	(19)	(799)	**(3,077)**
Between five and ten years	(5,946)	(2,276)	(296)	(52)	(3,131)	**(11,701)**
Greater than ten years	(6,976)	(3,328)	(170)	(22)	(984)	**(11,480)**
Gross contractual cash flows	(29,408)	(8,952)	(1,250)	(223)	(22,419)	**(62,252)**

Contractual cash flows in respect of operating lease vacant space provisions at 31 December 2018 are excluded from the table below.

At 31 December 2018	Debt £m	Interest on debt £m	Obligations under finance leases £m	Finance charge on obligations under finance leases £m	Trade payables and other liabilities not in net debt £m	Total £m
Due in less than one year	(5,771)	(714)	(24)	(5)	(14,278)	**(20,792)**
Between one and two years	(1,775)	(708)	(18)	(2)	(1,107)	**(3,610)**
Between two and three years	(1,592)	(675)	(11)	(2)	(902)	**(3,182)**
Between three and four years	(1,592)	(620)	(6)	(1)	(851)	**(3,070)**
Between four and five years	(1,970)	(567)	(3)	(1)	(826)	**(3,367)**
Between five and ten years	(5,875)	(2,370)	(6)	(5)	(3,748)	**(12,004)**
Greater than ten years	(7,579)	(3,764)	–	–	(1,468)	**(12,811)**
Gross contractual cash flows	(26,154)	(9,418)	(68)	(16)	(23,180)	**(58,836)**

Anticipated contractual cash flows for the repayment of debt and debt interest have increased by £2.8 billion over the year primarily due to funding of the acquisition of Tesaro.

The table below provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments excluding equity options which do not give rise to cash flows, and other embedded derivatives, which are not material, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December. The gross cash flows of foreign exchange contracts are presented for the purpose of this table although, in practice, the Group uses standard settlement arrangements to reduce its liquidity requirements on these instruments.

Cash flows on interest rate swaps are not shown in the table below as they are not significant.

	2019				2018			
	Gross cash inflows		**Gross cash outflows**		Gross cash inflows		Gross cash outflows	
	Cross currency interest rate swaps £m	**Foreign exchange forward contracts and swaps £m**	**Cross currency interest rate swaps £m**	**Foreign exchange forward contracts and swaps £m**	Cross currency interest rate swaps £m	Foreign exchange forward contracts and swaps £m	Cross currency interest rate swaps £m	Foreign exchange forward contracts and swaps £m
Due in less than one year	**33**	**33,273**	**(2)**	**(33,290)**	49	26,680	(3)	(26,802)
Between one and two years	**1,529**	**–**	**(1,430)**	**–**	48	–	(2)	–
Between two and three years	**–**	**–**	**–**	**–**	1,599	–	(1,515)	–
Gross contractual cash flows	**1,562**	**33,273**	**(1,432)**	**(33,290)**	1,696	26,680	(1,520)	(26,802)

The amounts in Gross cash inflows and outflows under Foreign exchange forward contracts and swaps in less than one year have increased compared with 31 December 2018 predominantly from increased levels of net investment hedging and hedging increased levels of external and internal commercial paper balances.

44. Employee share schemes

GSK operates several employee share schemes, including the Share Value Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost after a three year vesting period and the Performance Share Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost, subject to the achievement by the Group of specified performance targets. The granting of these restricted share awards has replaced the granting of options to employees as the cost of the schemes more readily equates to the potential gain to be made by the employee. The Group also operates savings related share option schemes, whereby options are granted to employees to acquire shares in GlaxoSmithKline plc at a discounted price.

Grants of restricted share awards are normally exercisable at the end of the three-year vesting or performance period. Awards are normally granted to employees to acquire shares or ADS in GlaxoSmithKline plc but in some circumstances may be settled in cash. Grants under savings-related share option schemes are normally exercisable after three years' saving. In accordance with UK practice, the majority of options under the savings-related share option schemes are granted at a price 20% below the market price ruling at the date of grant. Options under historical share option schemes were granted at the market price ruling at the date of grant.

The total charge for share-based incentive plans in 2019 was £432 million (2018 – £393 million; 2017 – £347 million). Of this amount, £302 million (2018 – £304 million; 2017 – £276 million) arose from the Share Value Plan. See Note 9, 'Employee Costs' for further details.

GlaxoSmithKline share award schemes

Share Value Plan

Under the Share Value Plan, share awards are granted to certain employees at no cost. The awards vest after two and a half to three years and there are no performance criteria attached. The fair value of these awards is determined based on the closing share price on the day of grant, after deducting the expected future dividend yield of 4.2% (2018 – 4.8%; 2017 – 4.8%) over the duration of the award.

Number of shares and ADS issuable	Shares Number (000)	Weighted fair value	ADS Number (000)	Weighted fair value
At 1 January 2017	32,855		17,083	
Awards granted	13,018	£13.68	6,610	$35.63
Awards exercised	(10,596)		(5,674)	
Awards cancelled	(1,352)		(627)	
At 31 December 2017	33,925		17,392	
Awards granted	12,751	£13.74	6,503	$35.28
Awards exercised	(11,089)		(5,583)	
Awards cancelled	(1,519)		(925)	
At 31 December 2018	34,068		17,387	
Awards granted	12,814	£15.85	7,008	$37.90
Awards exercised	(11,709)		(6,079)	
Awards cancelled	(1,704)		(976)	
At 31 December 2019	33,469		17,340	

Performance Share Plan

Under the Performance Share Plan, share awards are granted to Directors and senior executives at no cost. The percentage of each award that vests is based upon the performance of the Group over a defined measurement period with dividends reinvested during the same period. For awards granted from 2015, the performance conditions are based on three equally weighted measures over a three-year performance period. These are adjusted free cash flow, TSR and R&D new product performance.

The fair value of the awards is determined based on the closing share price on the day of grant. For TSR performance elements, this is adjusted by the likelihood of that condition being met, as assessed at the time of grant.

During 2019, awards were made of 3.8 million shares at a weighted fair value of £12.40 and 1.4 million ADS at a weighted fair value of $32.41. At 31 December 2019, there were outstanding awards over 12.0 million shares and 3.6 million ADS.

Notes to the financial statements continued

44. Employee share schemes continued

Share options and savings-related options

For the purposes of valuing savings-related options to arrive at the share-based payment charge, a Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

	2019 Grant	2018 Grant	2017 Grant
Risk-free interest rate	**0.44%**	0.76%	0.54%
Dividend yield	**4.5%**	5.3%	5.9%
Volatility	**22%**	21%	23%
Expected life	**3 years**	3 years	3 years
Savings-related options grant price (including 20% discount)	**£14.15**	£12.09	£10.86

Options outstanding	Share option schemes – shares		Share option schemes – ADS		Savings-related share option schemes	
	Number 000	Weighted exercise price	Number 000	Weighted exercise price	Number 000	Weighted exercise price
At 31 December 2019	337	£12.04	290	$37.21	6,016	£12.21
Range of exercise prices on options outstanding at year end	£2.04 –	£12.04	$36.63 –	$37.32	£10.13 –	£14.15
Weighted average market price on exercise during year		£16.13		$41.10		£15.60
Weighted average remaining contractual life		0.2 years		0.2 years		2.1 years

Options over 1.0 million shares were granted during the year under the savings-related share option scheme at a weighted average fair value of £3.00. At 31 December 2019, 5.3 million of the savings-related share options were not exercisable. All of the other share options and ADS options are currently exercisable and all will expire if not exercised on or before 22 July 2020.

There has been no change in the effective exercise price of any outstanding options during the year.

Employee Share Ownership Plan Trusts

The Group sponsors Employee Share Ownership Plan (ESOP) Trusts to acquire and hold shares in GlaxoSmithKline plc to satisfy awards made under employee incentive plans and options granted under employee share option schemes. The trustees of the ESOP Trusts purchase shares with finance provided by the Group by way of loans or contributions. The costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves and amortised down to the value of proceeds, if any, receivable from employees on exercise by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

Shares held for share award schemes	**2019**	2018
Number of shares (000)	**36,225**	41,391

	£m	£m
Nominal value	**9**	10
Carrying value	**134**	160
Market value	**645**	617

Shares held for share option schemes	**2019**	2018
Number of shares (000)	**139**	139

	£m	£m
Nominal value	**–**	–
Carrying value	**1**	1
Market value	**2**	2

45. Principal Group companies

The following represent the principal subsidiaries and their countries of incorporation of the Group at 31 December 2019. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

England

Glaxo Group Limited
Glaxo Operations UK Limited
GlaxoSmithKline Capital plc
GlaxoSmithKline Consumer Healthcare Holdings Limited*
GlaxoSmithKline Consumer Healthcare (UK) Trading Limited (68%)
GlaxoSmithKline Export Limited
GlaxoSmithKline Finance plc
GlaxoSmithKline Holdings Limited *
GlaxoSmithKline Research & Development Limited
GlaxoSmithKline Services Unlimited *
GlaxoSmithKline UK Limited
Setfirst Limited
SmithKline Beecham Limited
ViiV Healthcare Finance Limited (78.3%)
ViiV Healthcare Limited (78.3%)
ViiV Healthcare UK Limited (78.3%)

US

Block Drug Company, Inc. (68%)
Corixa Corporation
GlaxoSmithKline Capital Inc.
GlaxoSmithKline Consumer Healthcare Holdings (US) LLC (68%)
GlaxoSmithKline Consumer Healthcare, L.P. (59.84%)
GlaxoSmithKline Holdings (Americas) Inc.
GlaxoSmithKline LLC
Human Genome Sciences, Inc.
GSK Consumer Health, Inc. (68%)
PF Consumer Healthcare 1 LLC (68%)
S.R. One, Limited
Stiefel Laboratories, Inc.
Tesaro, Inc.
ViiV Healthcare Company (78.3%)

Europe

GlaxoSmithKline Pharmaceuticals SA (Belgium)
GlaxoSmithKline Sante Grand Public SAS (France) (68%)
Laboratoire GlaxoSmithKline (France)
ViiV Healthcare SAS (France) (78.3%)
GlaxoSmithKline Consumer Healthcare GmbH & Co. KG (Germany) (68%)
GlaxoSmithKline GmbH & Co. KG (Germany)
GSK Vaccines GmbH (Germany)
GlaxoSmithKline Consumer Healthcare S.p.A. (Italy) (68%)
GlaxoSmithKline S.p.A. (Italy)
GSK Vaccines S.r.l. (Italy)
Pfizer Consumer Manufacturing Italy S.r.l. (Italy) (68%)
GSK Services Sp z o.o. (Poland)
GlaxoSmithKline Trading Services Limited (Republic of Ireland) (i)
GlaxoSmithKline Healthcare AO (Russia) (68%)
GlaxoSmithKline S.A. (Spain)
Laboratorios ViiV Healthcare, S.L. (Spain) (78.3%)
GSK Consumer Healthcare S.A. (Switzerland) (68%)

Others

GlaxoSmithKline Australia Pty Ltd (Australia)
GlaxoSmithKline Consumer Healthcare Australia Pty Ltd (Australia) (68%)
GlaxoSmithKline Brasil Limitada (Brazil)
GlaxoSmithKline Consumer Healthcare Inc. (Canada) (68%)
GlaxoSmithKline Inc. (Canada)
ID Biomedical Corporation of Quebec (Canada)
PF Consumer Healthcare Canada ULC/PF Soins De Sante SRI (Canada) (68%)
GlaxoSmithKline Limited (China (Hong Kong))
Sino-American Tianjin Smith Kline & French Laboratories Ltd (China) (55%)
Wyeth Pharmaceutical Co. Ltd (China) (68%)
GlaxoSmithKline Asia Pvt. Limited (India)
GlaxoSmithKline Consumer Healthcare Limited (India) (72.5%)
GlaxoSmithKline Pharmaceuticals Limited (India) (75%)
GlaxoSmithKline Consumer Healthcare Japan K.K. (Japan) (68%)
GlaxoSmithKline K.K. (Japan)
ViiV Healthcare Kabushiki Kaisha (Japan) (78.3%)
GlaxoSmithKline Pakistan Limited (Pakistan) (82.6%)
Glaxo Wellcome Manufacturing Pte Ltd. (Singapore)
GlaxoSmithKline Korea Limited (Republic of Korea)
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S. (Turkey)

(i) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in Section 357 of that Act. Further subsidiaries, as disclosed on pages 299 to 310, are exempt from these provisions as they are also consolidated in the group financial statements.

* Directly held wholly-owned subsidiary of GlaxoSmithKline plc.

The subsidiaries and associates listed above principally affect the figures in the Group's financial statements. Each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc and GlaxoSmithKline LLC, is a wholly-owned finance subsidiary of the company, and the company has fully and unconditionally guaranteed the securities issued by each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc and GlaxoSmithKline LLC.

See pages 299 to 310 for a complete list of subsidiary undertakings, associates and joint ventures, which form part of these financial statements.

Notes to the financial statements continued

46. Legal proceedings

The Group is involved in significant legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust, consumer fraud and governmental investigations. The most significant of these matters, other than tax matters, are described below. The Group makes provision for these proceedings on a regular basis as summarised in Note 2, 'Accounting principles and policies' and Note 31, 'Other provisions'.

The Group may become involved in significant legal proceedings in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included in this note, but no provision would be made for the cases.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, the Group is unable to make a reliable estimate of the expected financial effect at this stage. The Group does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. Provisions are made, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, the Group will make a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. At 31 December 2019, the Group's aggregate provision for legal and other disputes (not including tax matters described in Note 14, 'Taxation') was £198 million. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

The Group's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Group in the reporting period in which the judgements are incurred or the settlements entered into.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of the Group's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

Dolutegravir/*Tivicay/Triumeq/Dovato/Juluca*

In September and October 2017, ViiV Healthcare received patent challenge letters under the Hatch-Waxman Act from Cipla, Dr. Reddy's Labs and Apotex for *Triumeq* and *Tivicay*; letters from Lupin and Mylan for *Triumeq*; and a letter from Sandoz for *Tivicay*. ViiV Healthcare lists two patents in the FDA Orange Book for *Tivicay* and *Triumeq*. One patent covers the molecule dolutegravir and expires on 5 October 2027. The second patent claims a crystal form of dolutegravir and expires on 8 December 2029. All the letters challenged only the later-expiring crystal form patent. Several of the generic companies allege only that the crystal form patent is invalid while others claim the crystal form patent is both invalid and not infringed by their proposed products. In 2017, ViiV Healthcare filed patent infringement suits against all six generic companies. The case against Mylan is now proceeding in the Northern District of West Virginia and is set for trial on 21 September 2020. The cases against the other defendants are proceeding in the US District Court for the District of Delaware. The court has yet to set a trial date for those matters.

In September 2019, ViiV Healthcare received a paragraph IV letter from Cipla relating to *Dovato* and challenging only the crystal form patent. On 4 November 2019 ViiV Healthcare filed suit against Cipla in the US District Court for the District of Delaware.

In January 2020, ViiV Healthcare received a paragraph IV letter from Lupin relating to *Juluca* and challenging the crystal form patent as well as a patent relating to the combination of dolutegravir and rilpivirine that expires 24 January 2031. On 28 February 2020 ViiV Healthcare filed suit against Lupin on both patents.

On 7 February 2018, ViiV Healthcare filed patent infringement litigation against Gilead Sciences Inc. (Gilead) over bictegravir in the US District Court for the District of Delaware (U.S. Patent No. 8,129,385) and the Canadian Federal Court (Canadian patent No. 2,606,282). ViiV Healthcare alleged that Gilead's triple combination HIV drug containing the HIV integrase inhibitor bictegravir infringes ViiV Healthcare's patent covering dolutegravir and other compounds that include dolutegravir's unique chemical scaffold. In both the US and Canada, ViiV Healthcare is seeking financial redress rather than injunctive relief.

46. Legal proceedings continued

On 12 July 2019, Gilead filed a motion for judgement on the pleadings in the US case, arguing that as a matter of law its bictegravir compound does not infringe ViiV Healthcare's patent. On 5 February the court denied Gilead's motion. The US case against Gilead is set for trial on 21 September 2020. In the Canadian matter, a four-day summary trial on the issue of infringement was held on 27-30 January 2020. A decision from the Canadian court is expected by the end of March 2020. On 20 November 2019, ViiV Healthcare commenced actions in the UK, France, Germany, Japan, Korea and Australia against Gilead alleging that Gilead's Biktarvy infringes certain of ViiV Healthcare's HIV integrase inhibitor patents.

Kivexa

In June 2017, Biogaran commenced proceedings in France seeking revocation of the French SPC covering *Kivexa*. No trial date has been set for this action.

In Q2 2018, ViiV Healthcare commenced proceedings against Sandoz in Switzerland. Sandoz countered, challenging the validity of the patent relating to *Kivexa*. This matter was settled in Q4 2019.

Product liability

The Group is currently a defendant in a number of product liability lawsuits related to the Group's Pharmaceuticals, Vaccines, and Consumer Healthcare products. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision, as appropriate, for the matters below in the provision for legal and other disputes. Matters for which the Group has made a provision are also noted in Note 31, 'Other provisions.'

Avandia

As of January 2020, there are three remaining US *Avandia* cases. Two are class actions brought by third-party payers asserting claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) and state consumer protection laws. In December 2019, the Third Circuit Court of Appeals reversed the summary judgements granted in favour of the Group and remanded the third-party payer cases back to district court. In the third case, the Santa Clara County (California) Action, the parties have reached an agreement to settle all remaining claims.

Additionally, the class action settlement in Canada has now been approved, and all *Avandia* class actions in Canada have been either discontinued or dismissed.

Seroxat*/*Paxil* and *Paxil CR

The Group has received numerous lawsuits and claims alleging that use of *Paxil* (paroxetine) has caused a variety of injuries. Most of these lawsuits contain one or more of the following allegations: (i) that use of *Paxil* during pregnancy caused congenital malformations, persistent pulmonary hypertension or autism; (ii) that *Paxil* treatment caused patients to commit suicidal or violent acts; and (iii) that the Group failed to warn that patients could experience certain symptoms on discontinuing *Paxil* treatment.

– Pregnancy

The Group has reached agreements to settle the majority of the US claims relating to the use of *Paxil* during pregnancy as of January 2020, but eleven lawsuits related to use during pregnancy are still pending in various courts in the US.

The Singh action in Alberta, Canada, seeks to certify a national class action relating to birth defects generally. The court heard argument in January 2020 on the plaintiffs' class certification motion but has not yet ruled.

Another Canadian class action, Jensen, alleging claims of *Paxil* (and other SSRI) use and autism was filed in Saskatchewan in January 2017; however, there has been no activity in the case since the filing.

– Acts of violence

As of January 2020, there were six pending claims or cases concerning allegations that patients who took paroxetine or *Paxil* committed or attempted to commit suicide or acts of violence: five claims or cases are in the US and one case is in Canada. One of the US cases, Dolin, involving the suicide of a man who allegedly took generic paroxetine manufactured by Mylan, resulted in a $3 million verdict for the plaintiff; however, on 22 August 2018 the US Court of Appeals for the Seventh Circuit reversed the jury verdict and found in favour of the Group. The US Supreme Court then denied plaintiff's certiorari request to review the case. Thereafter, however, the plaintiff filed a motion in the federal district court, asking it to reinstate the jury verdict in light of the US Supreme Court's pre-emption decision in Merck v. Albrecht. The district court denied the plaintiff's motion on 11 July 2019, but the plaintiff appealed that decision to the Seventh Circuit, where oral argument was heard on 22 January 2020. A ruling from the Court of Appeals is pending. The remaining US cases involving claims of violence are largely dormant.

In the one pending Canadian action, Carmichael, the Group filed a motion for summary judgement based on the statute of limitations, which was denied. The Group appealed that ruling, and oral argument took place on 16 December 2019. A ruling has not yet been issued.

Notes to the financial statements continued

46. Legal proceedings continued

– Discontinuation

In the UK, a long-pending group action alleges that *Seroxat* caused severe discontinuation symptoms. In 2010, the Legal Services Commission (LSC) withdrew public funding from hundreds of claimants, causing termination of most claims. In 2015, the Legal Aid Agency (formerly the LSC) discharged the public funding certificate following a 2013 recommendation of its Special Cases Review Panel that these cases have poor prospects of success.

However, more recently, Fortitude Law was engaged with the purpose of resurrecting the *Seroxat* group action and obtained third-party funding for the experts and the 103 remaining claimants. The Group asked the court to require the third-party funder to provide security for the litigation costs in the event plaintiffs lose.

On 8 December 2017, the High Court ruled in favour of the Group on its application for an order that the claimants' litigation funder give security for costs for a sum in excess of the total funding it had committed to the case. The trial of the action commenced in April 2019. The judge dismissed the cases on the grounds that the allegations were insufficient to prove plaintiffs' claims and that the cases were too far advanced to allow plaintiffs to reframe them. The plaintiffs' appeal was heard in late October 2019. On 8 November 2019, the Court of Appeal held in favour of GSK, dismissing the appeal unanimously. On 24 January, the Supreme Court issued an order denying plaintiffs' request to appeal to that court. The case will be sent back to the trial court judge for a determination on whether judgement on these cases now can be entered for GSK.

In addition to the UK matters, there is one individual US discontinuation-type claim pending in the Central District of California. The plaintiff in that matter alleges claims of dystonia/ dyskinesia caused by ingestion of *Paxil*. Trial is set for 27 October 2020.

PPI litigation

The Group is a defendant in the ongoing proton pump inhibitor (PPI) litigation, in which plaintiffs allege that their use of PPIs caused serious bodily injuries, including acute kidney injury, chronic kidney disease or end-stage renal failure. As of January 2020, there are approximately 1,900 personal injury lawsuits involving *Prevacid24HR* pending against the Group, nearly all of which are pending in a multi-district litigation (MDL) proceeding in the District of New Jersey. In addition, as part of the consumer business transaction with Pfizer Inc., there are now approximately 2,500 cases involving *Nexium24HR* pending against the Group in the same MDL. A small subset of cases involving both products are also pending in several state courts.

Manufacturers of other PPIs also are named as co-defendants in the MDL. The Group has filed motions to dismiss several hundred cases, but the MDL Court has not yet ruled on those motions. The first PPI bellwether trial is set for November 2021.

Zantac

The Group has been contacted by several regulatory authorities regarding the detection of genotoxic nitrosamine (NDMA) in *Zantac* (ranitidine) products. Based on the information received to date and correspondence with regulators, the Group made the decision in September 2019 to suspend the release, distribution and supply of all dose forms of *Zantac* to all markets pending the outcome of the ongoing tests and investigations. Also, as a precautionary action, the Group made the decision in early October 2019 to initiate a voluntary pharmacy/retail level recall of all *Zantac* products globally. Ranitidine is subject to regulatory scrutiny and the Group is continuing with investigations into the potential source of NDMA. The first *Zantac* personal injury claim was filed on 15 October 2019 against GSK and several other pharmaceutical companies in US federal court in the Eastern District of California, followed by additional filings, and on 6 February 2020, a multi-district litigation (MDL) proceeding to hear *Zantac* cases was established in the Southern District of Florida.

Zofran

Plaintiffs allege that their children suffered birth defects as a result of the mothers' ingestion of *Zofran* and/or generic ondansetron for pregnancy-related nausea and vomiting. Plaintiffs assert that the Group sold *Zofran* knowing it was unsafe for pregnant women, failed to warn of the risks, and illegally marketed *Zofran* 'off-label' for use by pregnant women.

As of January 2020, the Group is a defendant in 413 personal injury lawsuits. All but two of the lawsuits are part of a multi-district litigation (MDL) proceeding in US federal court in the District of Massachusetts.

In the wake of the US Supreme Court's pre-emption decision in Merck v. Albrecht, the MDL judge directed GSK to re-file its motion for summary judgment on federal pre-emption grounds.

46. Legal proceedings continued

The Court heard oral argument on GSK's renewed motion on 5 November 2019. Additionally, in response to plaintiffs' claims that FDA would have changed *Zofran*'s labelling had GSK provided certain additional information to FDA, on 1 November 2019, GSK submitted a Citizen Petition to FDA providing the information identified by plaintiffs and requesting that FDA provide guidance on whether such information merits a label change. The Court has deferred the first trial date to 4 May 2020 to allow FDA time to respond to the Petition.

GSK is also a defendant in four proposed class actions in Canada. There has been no significant activity in these matters.

Sales and marketing and regulation

The Group's marketing and promotion of its Pharmaceutical and Vaccine products are the subject of certain governmental investigations and private lawsuits brought by litigants under various theories of law. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below.

Matters for which the Group has made a provision are also noted in Note 31, 'Other provisions'.

SFO and SEC/DOJ Anti-corruption enquiries

On 27 May 2014, the UK Serious Fraud Office (SFO) began a formal criminal investigation into the Group's commercial operations in a number of countries, including China. The SFO inquiry followed investigations initiated by China's Ministry of Public Security in June 2013 (the 'China Investigations'). Parallel investigations were undertaken by the US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ).

While the underlying commercial operations investigations have been resolved, as previously reported, in the course of its inquiry, the SFO had requested additional information from the Group regarding third-party advisers engaged by the company in the course of the China Investigations. The SEC and DOJ are also investigating these matters. The Group is co-operating and responding to these requests. On 22 February 2019, the SFO announced that it had closed its investigation and confirmed that it would be taking no further action against the Group.

The SEC and DOJ investigations into these matters continue.

The Group is unable to make a reliable estimate of the expected financial effect of these investigations, and no provision has been made for them.

Average wholesale price

The Attorney General in Illinois filed suit against the Group and a number of other pharmaceutical companies claiming damages and restitution due to average wholesale price (AWP) and/or wholesale acquisition cost (WAC) price reporting for pharmaceutical products covered by the state's Medicaid programmes. The case alleged that the Group reported or caused to be reported false AWP and WAC prices, which, in turn, allegedly caused the state Medicaid agency to reimburse providers more money for covered medicines than the agency intended. The state sought recovery on behalf of itself as payer and on behalf of in-state patients as consumers. GSK settled the matter with the state as announced in October 2019, thereby concluding the matter.

Cidra third-party payer litigation

On 25 July 2013, 41 major US healthcare insurers filed a lawsuit against the Group, seeking compensation for reimbursements they made for medicines manufactured between 2000 and 2006 at the Group's former Cidra plant in Puerto Rico. The insurers claimed that the Group knowingly marketed and sold adulterated drugs manufactured under conditions non-compliant with cGMP (current good manufacturing practices) and that they, as third-party insurers, were unlawfully induced to pay for them. In November 2019, the Group resolved the lawsuit and reached a settlement with all plaintiffs, thereby concluding the matter.

Notes to the financial statements continued

46. Legal proceedings continued

Anti-trust/competition

Certain governmental actions and private lawsuits have been brought against the Group alleging violation of competition or anti-trust laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below.

Matters for which the Group has made a provision are also noted in Note 31, 'Other provisions'.

UK Competition and Markets Authority investigation

On 12 February 2016, the UK Competition and Markets Authority (CMA) issued a decision fining the Group £37.6 million for infringement of the Competition Act, in connection with agreements to settle patent disputes the Group entered into in 2001 and 2002 with potential suppliers of generic paroxetine formulations. The Group appealed to the Competition Appeal Tribunal (CAT), which delivered its initial judgement upholding the fine on 8 March 2018 but referred certain questions of law to the European Union Court of Justice (ECJ). On 30 January 2020, the ECJ issued its judgement endorsing the criteria used by the CMA in levying the fine, and the matter now will return to the CAT for entry of a final judgement.

Lamictal

Purported classes of direct and indirect purchasers filed suit in the US District Court for the District of New Jersey alleging that the Group and Teva Pharmaceuticals unlawfully conspired to delay generic competition for *Lamictal*, resulting in overcharges to the purchasers, by entering into an allegedly anti-competitive reverse payment settlement to resolve patent infringement litigation. A separate count accuses the Group of monopolising the market.

On 26 June 2015, the Court of Appeals reversed the trial court's decision to dismiss the case and remanded the action back to the trial court. On 18 May 2016, the trial court denied the indirect purchaser class plaintiffs' motion for reconsideration of the Court's dismissal of their claims. As a result, the indirect purchaser class representatives agreed to a settlement to exit the case and resolve their remaining claims. On 13 December 2018, the trial judge granted plaintiffs' class certification motion, certifying a class of direct purchasers in this action. The Group is pursuing an appeal with the Court of Appeals regarding the class certification. On 18 March 2019, the Third Circuit Court of Appeals granted the Group's motion agreeing to review the class certification decision. Briefing for the appeal has concluded. Oral argument is expected to occur in March 2020.

Commercial and corporate

The Group is a defendant in certain cases which allege violations of US federal securities and ERISA laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes. Matters for which the Group has made a provision are also noted in Note 31, 'Other provisions'.

Securities/ERISA class actions – Stiefel

On 12 December 2011, the US Securities and Exchange Commission (SEC) filed a formal complaint against Stiefel Laboratories, Inc., and Charles Stiefel in the US District Court for the District of Florida, alleging that Stiefel and its principals violated federal securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to the company at a greatly undervalued price and without disclosing to employees that the company was about to be sold to the Group. After several years of inactivity, the case was re-assigned to a new judge, who set a trial date of 6 July 2020. On 26 February 2020, the parties reached an agreement in principle to settle the case, which is subject to final approval by the SEC.

In addition to the SEC case, one private matter (the Martinolich case) remains. It is also pending in federal district court in Florida but has been stayed pending the trial of the SEC matter. The allegations in the Martinolich case largely track those in the SEC matter: the plaintiff, a former Stiefel employee, alleges that Stiefel and its officers and directors violated the US Employee Retirement Income Security Act (ERISA) and federal and state securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to Stiefel at a greatly undervalued price and without disclosing to employees that Stiefel was about to be sold to the Group.

Company balance sheet – UK GAAP

(including FRS 101 'Reduced Disclosure Framework') as at 31 December 2019

	Notes	2019 £m	2019 £m	2018 £m	2018 £m
Fixed assets – investments	E		**54,854**		19,987
Current assets:					
Trade and other receivables	F		**2,210**		8,394
Cash at bank			**12**		12
Total current assets			**2,222**		8,406
Bank overdrafts			**–**		(12)
Short term borrowings	G		**(1,000)**		(3,500)
Trade and other payables	H		**(609)**		(610)
Total current liabilities			**(1,609)**		(4,122)
Net current assets			**613**		4,284
Total assets less current liabilities			**55,467**		24,271
Provisions for liabilities	I		**(4)**		(16)
Other non-current liabilities	J		**(317)**		(282)
Net assets			**55,146**		23,973
Capital and reserves					
Share capital	K		**1,346**		1,345
Share premium account	K		**3,174**		3,091
Other reserves			**1,420**		1,420
Retained earnings:					
At 1 January		**18,117**		22,106	
Loss for the year		**(53)**		(62)	
Other changes in retained earnings		**31,142**		(3,927)	
	L		**49,206**		18,117
Equity shareholders' funds			**55,146**		23,973

The financial statements on pages 252 to 256 were approved by the Board on 3 March 2020 and signed on its behalf by

Sir Jonathan Symonds
Chairman
GlaxoSmithKline plc
Registered number: 3888792

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 January 2018	1,343	3,019	1,420	22,106	**27,888**
Loss and Total comprehensive expense attributable to shareholders	–	–	–	(62)	**(62)**
Dividends to shareholders	–	–	–	(3,927)	**(3,927)**
Shares issued under employee share schemes	2	72	–	–	**74**
At 31 December 2018	1,345	3,091	1,420	18,117	**23,973**
Loss for the year	–	–	–	(53)	**(53)**
Distribution received of GlaxoSmithKline Consumer Healthcare Holdings Limited	–	–	–	34,800	**34,800**
Total comprehensive income for the year	–	–	–	34,747	**34,747**
Dividends to shareholders	–	–	–	(3,953)	**(3,953)**
Shares issued under employee share schemes	1	50	–	–	**51**
Treasury shares transferred to the ESOP Trusts	–	33	–	295	**328**
At 31 December 2019	1,346	3,174	1,420	49,206	**55,146**

Notes to the company balance sheet – UK GAAP (including FRS 101 'Reduced Disclosure Framework')

A) Presentation of the financial statements

Description of business

GlaxoSmithKline plc is the parent company of GSK, a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, including vaccines, over-the-counter (OTC) medicines and health-related consumer products.

Preparation of financial statements

The financial statements, which are prepared using the historical cost convention (as modified to include the revaluation of certain financial instruments) and on a going concern basis, are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and with UK accounting presentation and the Companies Act 2006 as at 31 December 2019, with comparative figures as at 31 December 2018.

As permitted by section 408 of the Companies Act 2006, the income statement of the company is not presented in this Annual Report.

The company is included in the Group financial statements of GlaxoSmithKline plc, which are publicly available.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments – Disclosures'
- Paragraphs 91-99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1
- Paragraphs 10(d), 10(f), 16, 38(A), 38 (B to D), 40 (A to D), 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures' and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

Accounting convention and standards

The balance sheet has been prepared using the historical cost convention and complies with applicable UK accounting standards.

Accounting principles and policies

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual amounts could differ from those estimates.

The balance sheet has been prepared in accordance with the company's accounting policies approved by the Board and described in Note B. These policies have been consistently applied, unless otherwise stated.

Key accounting judgements and estimates

No key accounting judgements or estimates were required in the current year.

B) Accounting policies

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date.

Dividends paid and received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Investments in subsidiary companies

Investments in subsidiary companies are held at cost less any provision for impairment and also adjusted for movements in contingent consideration.

Impairment of investments

The carrying value of investments are reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the income statement in the year concerned.

Share-based payments

The issuance by the company to its subsidiaries of a grant over the company's shares, represents additional capital contributions by the company in its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

Notes to the company balance sheet – UK GAAP
(including FRS 101 'Reduced Disclosure Framework') continued

Taxation
Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to be realised or settled. Deferred tax liabilities and assets are not discounted.

Financial guarantees
Liabilities relating to guarantees issued by the company on behalf of its subsidiaries are initially recognised at fair value and amortised over the life of the guarantee.

C) Operating profit
A fee of £12,000 (2018 – £12,000) relating to the audit of the company has been charged in operating profit.

D) Dividends
The directors declared four interim dividends resulting in a dividend for the year of 80 pence, in line with the dividend for 2018. For further details, see Note 16 to the Group financial statements, 'Dividends'.

E) Fixed assets – investments

	2019 £m	2018 £m
Shares in GlaxoSmithKline Services Unlimited	**637**	613
Shares in GlaxoSmithKline Holdings (One) Limited	**18**	18
Shares in GlaxoSmithKline Holdings Limited	**17,888**	17,888
Shares in GlaxoSmithKline Consumer Healthcare Holdings Limited	**34,800**	–
Shares in GlaxoSmithKline Mercury Limited	**33**	33
	53,376	18,552
Capital contribution relating to share-based payments	**1,139**	1,139
Contribution relating to contingent consideration	**339**	296
	54,854	19,987

The shares in GlaxoSmithKline Consumer Healthcare Holdings Limited were received during the year as a dividend in specie as part of a Group reorganisation prior to the acquisition of the Pfizer consumer healthcare business.

F) Trade and other receivables

	2019 £m	2018 £m
Amounts due within one year:		
UK Corporation tax recoverable	**14**	10
Amounts owed by Group undertakings	**1,645**	7,889
	1,659	7,899
Amounts due after more than one year:		
Amounts owed by Group undertakings	**551**	495
	2,210	8,394

Notes to the company balance sheet – UK GAAP
(including FRS 101 'Reduced Disclosure Framework') continued

G) Short-term borrowings
The £1 billion borrowing at 31 December 2019 relates to the balance of a facility taken out in June 2018 as part of the financing of the buyout of the non-controlling interest in the Consumer Healthcare Joint Venture held by Novartis. The maturity date of the remaining borrowing is now 1 June 2020.

H) Trade and other payables

	2019 £m	2018 £m
Amounts due within one year:		
Other creditors	**564**	567
Contingent consideration payable	**22**	14
Amounts owed to Group undertakings	**23**	29
	609	610

The company has guaranteed debt issued by its subsidiary companies from two of which it receives fees. In aggregate, the company has outstanding guarantees over £27.8 billion of debt instruments (2018 – £22.2 billion). The amounts due from the subsidiary company in relation to these guarantee fees will be recovered over the life of the bonds and are disclosed within 'Trade and other receivables' (see Note F).

I) Provisions for liabilities

	2019 £m	2018 £m
At 1 January	**16**	27
Exchange adjustments	**–**	2
Charge for the year	**5**	16
Utilised	**(17)**	(29)
At 31 December	**4**	16

The provisions relate to a number of legal and other disputes in which the company is currently involved.

J) Other non-current liabilities

	2019 £m	2018 £m
Contingent consideration payable	**317**	282
	317	282

The contingent consideration relates to the amount payable for the acquisition in 2015 of the Novartis Vaccines portfolio. The current year liability is included within 'Trade and other payables'.

Notes to the company balance sheet – UK GAAP
(including FRS 101 'Reduced Disclosure Framework') continued

K) Share capital and share premium account

	Ordinary Shares of 25p each		Share premium account
	Number	£m	£m
Share capital issued and fully paid			
At 1 January 2018	5,372,553,820	1,343	3,019
Issued under employee share schemes	6,513,804	2	72
At 31 December 2018	5,379,067,624	1,345	3,091
Issued under employee share schemes	4,034,607	1	50
Ordinary shares acquired by ESOP trusts	–	–	33
At 31 December 2019	5,383,102,231	1,346	3,174

	31 December 2019 000	31 December 2018 000
Number of shares issuable under employee share schemes	**57,871**	56,723
Number of unissued shares not under option	**4,559,027**	4,564,209

At 31 December 2019, of the issued share capital, 36,365,045 shares were held in the ESOP Trusts, 393,505,950 shares were held as Treasury shares and 4,953,231,236 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 44, 'Employee share schemes'.

L) Retained earnings
The loss of GlaxoSmithKline plc for the year was £53 million (2018 – £62 million loss). After dividends paid of £3,953 million (2018 – £3,927 million), the effect of £295 million Treasury shares transferred to a subsidiary company (2018 – £nil) and the £34,800 million distribution received of the shares in a subsidiary company, retained earnings at 31 December 2019 stood at £49,206 million (2018 – £18,117 million), of which £38,896 million was unrealised (2018 – £4,096 million). Dividends to shareholders are paid out of the realised profits of the company, which at 31 December 2019 amounted to £10,310 million (2018 – £14,021 million).

M) Group companies
See pages 299 to 310 for a complete list of subsidiaries, associates and joint ventures, which forms part of these financial statements.

Investor information

In this section

Financial record

Quarterly trend

An unaudited analysis of the Group results is provided by quarter in Sterling for the financial year 2019.

Income statement – Total

	12 months 2019				Q4 2019		
			Reported	Pro-forma			Reported
	£m	£%	CER%	CER%	£m	£%	CER%
Turnover							
Pharmaceuticals	**17,554**	2	–	–	**4,558**	(5)	(4)
Vaccines	**7,157**	21	19	19	**1,742**	18	21
Consumer Healthcare	**8,995**	17	17	2	**2,571**	35	37
	33,706	9	8	4	**8,871**	8	10
Corporate and other unallocated turnover	**48**				**28**		
Total turnover	**33,754**	**10**	**8**	**4**	**8,899**	**9**	11
Cost of sales	**(11,863)**	16	16		**(3,248)**	12	14
Selling, general and administration	**(11,402)**	15	13		**(3,443)**	31	31
Research and development	**(4,568)**	17	15		**(1,243)**	16	17
Royalty income	**351**	17	17		**82**	4	4
Other operating income/(expense)	**689**				**855**		
Operating profit	**6,961**	**27**	**23**		**1,902**	**22**	**29**
Net finance costs	**(814)**				**(195)**		
Share of after-tax profits of associates and joint ventures	**74**				**4**		
Profit before taxation	**6,221**	30	25		**1,711**	25	32
Taxation	**(953)**				**(194)**		
Tax rate %	**15.3%**				**11.4%**		
Profit after taxation for the period	**5,268**	**30**	**26**		**1,517**	**17**	**23**
Profit attributable to non-controlling interests	**623**				**218**		
Profit attributable to shareholders	**4,645**				**1,299**		
Basic earnings per share (pence)	**93.9p**	**27**	**23**		**26.2p**	**6**	**12**
Diluted earnings per share (pence)	**92.6p**				**25.9p**		

Income statement – Adjusted

Total turnover	**33,754**	10	8	4	**8,899**	9	11
Cost of sales	**(10,079)**	10	10	5	**(2,848)**	12	15
Selling, general and administration	**(10,715)**	13	12	7	**(3,117)**	23	23
Research and development	**(4,339)**	16	14	13	**(1,164)**	14	16
Royalty income	**351**	17	17	17	**82**	4	4
Operating profit	**8,972**	**3**	**–**	**(3)**	**1,852**	**(16)**	**(11)**
Net finance costs	**(810)**				**(197)**		
Share of after-tax profits of associates and joint ventures	**74**				**4**		
Profit before taxation	**8,236**	2	(1)		**1,659**	(18)	(13)
Taxation	**(1,318)**				**(207)**		
Tax rate %	**16.0%**				**12.5%**		
Profit after taxation for the period	**6,918**	**6**	**3**		**1,452**	**(13)**	**(8)**
Profit attributable to non-controlling interests	**787**				**225**		
Profit attributable to shareholders	**6,131**				**1,227**		
Adjusted earnings per share (pence)	**123.9p**	**4**	**1**		**24.8p**	**(21)**	**(16)**

The calculation of Adjusted results is described on page 50.

Financial record continued

Quarterly trend continued

Q3 2019			Q2 2019			Q1 2019		
		Reported			Reported			Reported
£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
4,531	7	3	**4,307**	2	(1)	**4,158**	4	2
2,308	20	15	**1,585**	26	23	**1,522**	23	20
2,526	30	25	**1,917**	5	4	**1,981**	–	1
9,365	16	11	**7,809**	7	5	**7,661**	6	5
20			**–**			**–**		
9,385	**16**	**11**	**7,809**	**7**	5	**7,661**	**6**	5
(3,245)	23	21	**(2,637)**	14	14	**(2,733)**	14	15
(2,892)	14	11	**(2,590)**	5	3	**(2,477)**	7	6
(1,206)	22	18	**(1,113)**	20	17	**(1,006)**	11	8
118	26	24	**78**	7	4	**73**	38	42
(13)			**(63)**			**(90)**		
2,147	**12**	**3**	**1,484**	**90**	**80**	**1,428**	15	**10**
(213)			**(216)**			**(190)**		
17			**(4)**			**57**		
1,951	14	4	**1,264**	>100	94	**1,295**	17	11
(235)			**(214)**			**(310)**		
12.0%			**16.9%**			**23.9%**		
1,716	**13**	**3**	**1,050**	**>100**	**>100**	**985**	**30**	**23**
164			**86**			**155**		
1,552			**964**			**830**		
31.4p	**9**	**(1)**	**19.5p**	**>100**	**>100**	**16.8p**	**50**	**42**
31.0p			**19.3p**			**16.7p**		
9,385	16	11	**7,809**	7	5	**7,661**	6	5
(2,785)	17	15	**(2,243)**	8	7	**(2,203)**	1	2
(2,768)	20	16	**(2,433)**	4	2	**(2,397)**	5	4
(1,164)	21	17	**(1,040)**	20	16	**(971)**	9	6
118	26	24	**78**	7	4	**73**	38	42
2,786	**10**	**3**	**2,171**	**3**	**(1)**	**2,163**	**12**	**9**
(206)			**(220)**			**(187)**		
17			**(4)**			**57**		
2,597	12	4	**1,947**	–	(4)	**2,033**	13	10
(411)			**(300)**			**(400)**		
15.8%			**15.4%**			**19.7%**		
2,186	**16**	**8**	**1,647**	**6**	**2**	**1,633**	**14**	**10**
275			**138**			**149**		
1,911			**1,509**			**1,484**		
38.6p	**9**	**1**	**30.5p**	**9**	**4**	**30.1p**	**22**	**18**

Pharmaceutical turnover by therapeutic area 2019

	Total				US			Europe			International		
	2019	2018		Growth	2019		Growth	2019		Growth	2019		Growth
Therapeutic area/major products	**£m**	£m	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%
Respiratory	**3,081**	**2,612**	**18**	**15**	**1,742**	**10**	**6**	**783**	**29**	**29**	**556**	**33**	**31**
Ellipta products	2,313	2,049	13	10	1,289	4	–	577	26	27	447	29	27
Anoro Ellipta	514	476	8	5	324	2	(2)	120	19	20	70	23	21
Arnuity Ellipta	48	44	9	5	41	5	3	–	–	–	7	40	20
Incruse Ellipta	262	284	(8)	(10)	161	(13)	(17)	73	(1)	(1)	28	17	17
Relvar/Breo Ellipta	971	1,089	(11)	(13)	381	(34)	(37)	282	11	12	308	21	19
Trelegy Ellipta	518	156	>100	>100	382	>100	>100	102	>100	>100	34	>100	>100
Nucala	768	563	36	33	453	33	28	206	36	37	109	56	50
HIV	**4,854**	**4,722**	**3**	**1**	**3,004**	**3**	**(1)**	**1,156**	**(3)**	**(2)**	**694**	**13**	**13**
Dolutegravir products	4,633	4,420	5	2	2,938	4	–	1,086	–	–	609	22	22
Tivicay	1,662	1,639	1	(1)	977	(6)	(9)	395	5	6	290	28	28
Triumeq	2,549	2,648	(4)	(6)	1,611	(4)	(7)	626	(11)	(11)	312	15	15
Juluca	366	133	>100	>100	303	>100	>100	56	>100	>100	7	>100	>100
Dovato	56	–	–	–	47	–	–	9	–	–	–	–	–
Epzicom/Kivexa	75	117	(36)	(35)	3	(57)	(57)	23	(48)	(48)	49	(26)	(24)
Selzentry	97	115	(16)	(17)	53	(9)	(12)	29	(17)	(14)	15	(32)	(32)
Other	49	70	(30)	(31)	10	(44)	(44)	18	(25)	(29)	21	(25)	(25)
Immuno-inflammation	**613**	**472**	**30**	**25**	**535**	**27**	**23**	**46**	**28**	**28**	**32**	**>100**	**94**
Benlysta	613	473	30	25	535	27	23	46	24	24	32	>100	94
Oncology	**230**	**–**	**–**	**–**	**134**	**–**	**–**	**96**	**–**	**–**	**–**	**–**	**–**
Zejula	229	–	–	–	134	–	–	95	–	–	–	–	–
Established pharmaceuticals	**8,776**	**9,463**	**(7)**	**(8)**	**1,987**	**(22)**	**(24)**	**2,044**	**(8)**	**(8)**	**4,745**	**1**	**1**
Established Respiratory	3,900	4,316	(10)	(11)	1,415	(21)	(23)	807	(13)	(12)	1,678	4	3
Seretide/Advair	1,730	2,422	(29)	(29)	502	(54)	(56)	502	(16)	(16)	726	–	(1)
Flixotide/Flovent	629	595	6	4	368	11	6	88	(5)	(4)	173	2	2
Ventolin	938	737	27	25	547	55	49	120	(8)	(7)	271	6	7
Avamys/Veramyst	324	300	8	6	(2)	>(100)	>(100)	69	(7)	(5)	257	14	11
Other Respiratory	279	262	6	2	–	–	–	28	–	(4)	251	7	3
Dermatology	445	435	2	3	3	–	–	159	(1)	(1)	283	4	6
Augmentin	602	570	6	6	–	–	–	172	(5)	(4)	430	11	11
Avodart	574	572	–	(1)	4	(67)	(67)	208	(13)	(12)	362	13	11
Imigran/Imitrex	138	141	(2)	(3)	59	2	–	52	(9)	(7)	27	4	–
Lamictal	566	617	(8)	(10)	284	(8)	(12)	112	(1)	–	170	(12)	(13)
Seroxat/Paxil	160	170	(6)	(6)	–	–	–	37	(5)	(5)	123	(6)	(7)
Valtrex	107	123	(13)	(15)	14	(33)	(38)	31	3	3	62	(14)	(15)
Other	2,284	2,519	(9)	(9)	208	(40)	(43)	466	(5)	(4)	1,610	(4)	(4)
Pharmaceuticals	**17,554**	**17,269**	**2**	**–**	**7,402**	**(1)**	**(4)**	**4,125**	**1**	**2**	**6,027**	**5**	**4**

Financial record continued

Pharmaceutical turnover by therapeutic area 2018

	Total				US			Europe			International		
	2018	2017		Growth	2018		Growth	2018		Growth	2018		Growth
Therapeutic area/major products	£m	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
Respiratory	**2,612**	**1,930**	**35**	**38**	**1,586**	**28**	**31**	**609**	**55**	**54**	**417**	**40**	**45**
Ellipta products	2,049	1,586	29	32	1,245	24	27	457	42	41	347	33	38
Anoro Ellipta	476	342	39	42	318	36	39	101	46	45	57	46	54
Arnuity Ellipta	44	35	26	29	39	22	25	–	–	–	5	67	67
Incruse Ellipta	284	201	41	44	186	39	42	74	45	45	24	50	56
Relvar/Breo Ellipta	1,089	1,006	8	10	581	(3)	(1)	253	25	24	255	26	31
Trelegy Ellipta	156	2	>100	>100	121	>100	>100	29	>100	>100	6	–	–
Nucala	563	344	64	66	341	44	48	152	>100	>100	70	84	89
HIV	**4,722**	**4,350**	**9**	**11**	**2,913**	**8**	**10**	**1,194**	**7**	**6**	**615**	**14**	**20**
Dolutegravir products	4,420	3,870	14	16	2,830	11	13	1,091	18	17	499	28	35
Tivicay	1,639	1,404	17	19	1,036	12	15	377	20	18	226	37	47
Triumeq	2,648	2,461	8	9	1,670	2	5	706	17	15	272	21	25
Juluca	133	5	>100	>100	124	>100	>100	8	–	–	1	–	–
Dovato	–	–	–	–	–	–	–	–	–	–	–	–	–
Epzicom/Kivexa	117	234	(50)	(48)	7	(74)	(74)	44	(61)	(61)	66	(28)	(24)
Selzentry	115	128	(10)	(9)	58	(12)	(11)	35	(17)	(17)	22	10	15
Other	70	118	(41)	(40)	18	(59)	(59)	24	(35)	(38)	28	(26)	(21)
Immuno-inflammation	**472**	**377**	**25**	**28**	**420**	**24**	**27**	**36**	**33**	**33**	**16**	**45**	**64**
Benlysta	473	375	26	29	420	24	27	37	37	33	16	60	80
Oncology	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Zejula	–	–	–	–	–	–	–	–	–	–	–	–	–
Established pharmaceuticals	**9,463**	**10,619**	**(11)**	**(8)**	**2,534**	**(23)**	**(21)**	**2,233**	**(9)**	**(10)**	**4,696**	**(4)**	**1**
Established Respiratory	4,316	5,061	(15)	(13)	1,782	(23)	(21)	924	(13)	(14)	1,610	(4)	–
Seretide/Advair	2,422	3,130	(23)	(21)	1,097	(32)	(30)	599	(19)	(20)	726	(7)	(4)
Flixotide/Flovent	595	596	–	3	333	3	6	93	(2)	(3)	169	(5)	1
Ventolin	737	767	(4)	(1)	352	(7)	(5)	130	(2)	(2)	255	–	7
Avamys/Veramyst	300	281	7	10	–	–	–	74	(3)	(4)	226	11	16
Other Respiratory	262	287	(9)	(7)	–	–	–	28	4	–	234	(9)	(7)
Dermatology	435	456	(4)	–	3	(57)	(57)	161	(1)	(2)	271	(5)	2
Augmentin	570	587	(3)	2	–	–	–	181	(1)	(2)	389	(4)	3
Avodart	572	613	(7)	(5)	12	(20)	(20)	240	(19)	(20)	320	6	11
Imigran/Imitrex	141	168	(16)	(16)	58	(25)	(23)	57	(12)	(14)	26	–	–
Lamictal	617	650	(5)	(3)	310	(7)	(5)	113	6	5	194	(8)	(4)
Seroxat/Paxil	170	184	(8)	(5)	–	–	–	39	–	–	131	(10)	(7)
Valtrex	123	128	(4)	(1)	21	5	5	30	3	3	72	(9)	(4)
Other	2,519	2,772	(9)	(6)	348	(34)	(32)	488	(3)	(4)	1,683	(4)	1
Pharmaceuticals	**17,269**	**17,276**	**–**	**2**	**7,453**	**(2)**	**1**	**4,072**	**2**	**1**	**5,744**	**–**	**5**

Vaccines turnover 2019

	Total				US			Europe			International		
	2019	2018		Growth	**2019**		Growth	**2019**		Growth	**2019**		Growth
Major products	**£m**	£m	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%
Meningitis	**1,018**	**881**	**16**	**15**	**430**	**15**	**10**	**343**	**2**	**3**	**245**	**43**	**50**
Bexsero	679	584	16	16	260	30	25	319	3	4	100	37	48
Menveo	267	232	15	13	170	(2)	(6)	18	6	6	79	93	100
Other	72	65	11	11	–	–	–	6	(25)	(25)	66	16	16
Influenza	**541**	**523**	**3**	**1**	**412**	**7**	**3**	**56**	(15)	(15)	**73**	1	4
Fluarix, FluLaval	541	523	3	1	412	7	3	56	(15)	(15)	73	1	4
Shingles	**1,810**	**784**	**>100**	**>100**	**1,669**	**>100**	**>100**	**54**	**>100**	**>100**	**87**	**78**	**76**
Shingrix	1,810	784	>100	>100	1,669	>100	>100	54	>100	>100	87	78	76
Established vaccines	**3,788**	**3,706**	2	1	**1,394**	15	11	**1,035**	(11)	(10)	**1,359**	1	2
Infanrix, Pediarix	733	680	8	6	360	22	17	213	(20)	(19)	160	36	35
Boostrix	584	517	13	11	299	13	9	156	(4)	(3)	129	43	44
Hepatitis	874	808	8	6	529	16	11	231	(6)	(5)	114	9	10
Rotarix	558	521	7	6	140	11	6	112	2	3	306	7	8
Synflorix	468	424	10	11	–	–	–	54	(7)	(5)	414	13	13
Priorix, Priorix Tetra, Varilrix	232	305	(24)	(23)	–	–	–	100	(37)	(37)	132	(9)	(9)
Cervarix	50	138	(64)	(64)	–	–	–	21	5	5	29	(75)	(76)
Other	289	313	(8)	(7)	66	3	2	148	8	10	75	(33)	(33)
Vaccines	**7,157**	**5,894**	**21**	**19**	**3,905**	**45**	**39**	**1,488**	**(5)**	**(4)**	**1,764**	**8**	**9**

£% represents growth at actual exchange rates. CER% represents growth at constant exchange rates.

Vaccines turnover 2018

	Total				US			Europe			International		
	2018	2017		Growth	**2018**		Growth	**2018**		Growth	**2018**		Growth
Major products	**£m**	£m	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%
Meningitis	**881**	**890**	**(1)**	**2**	**374**	**10**	**13**	**336**	**(14)**	**(15)**	**171**	**7**	**22**
Bexsero	584	556	5	9	200	32	34	311	(9)	(11)	73	18	52
Menveo	232	274	(15)	(12)	174	(7)	(5)	17	(50)	(50)	41	(23)	(15)
Other	65	60	8	7	–	–	–	8	(47)	(47)	57	27	24
Influenza	**523**	**488**	**7**	**10**	**385**	**7**	**9**	**66**	**35**	**33**	**72**	**(8)**	**(1)**
Fluarix, FluLaval	523	488	7	10	385	7	9	66	35	33	72	(8)	(1)
Shingles	**784**	**22**	**>100**	**>100**	**733**	**>100**	**>100**	**2**	**–**	**–**	**49**	**–**	**–**
Shingrix	784	22	>100	>100	733	>100	>100	2	–	–	49	–	–
Established vaccines	**3,706**	**3,760**	**(1)**	**–**	**1,209**	**5**	**8**	**1,157**	**–**	**(1)**	**1,340**	**(8)**	**(6)**
Infanrix, Pediarix	680	743	(8)	(7)	296	(10)	(8)	266	(16)	(17)	118	20	28
Boostrix	517	560	(8)	(7)	265	1	3	162	(12)	(14)	90	(20)	(19)
Hepatitis	808	693	17	19	458	21	24	245	22	21	105	(7)	–
Rotarix	521	524	(1)	1	126	(5)	(2)	110	16	15	285	(4)	(2)
Synflorix	424	509	(17)	(17)	–	–	–	58	(13)	(13)	366	(17)	(18)
Priorix, Priorix Tetra, Varilrix	305	301	1	2	–	–	–	159	(3)	(4)	146	6	9
Cervarix	138	134	3	2	–	–	–	20	(31)	(34)	118	12	12
Other	313	296	6	6	64	45	49	137	32	30	112	(24)	(25)
Vaccines	**5,894**	**5,160**	**14**	**16**	**2,701**	**45**	**48**	**1,561**	**(2)**	**(4)**	**1,632**	**(3)**	**–**

£% represents growth at actual exchange rates. CER% represents growth at constant exchange rates.

Five year record

A record of financial performance is provided, analysed in accordance with current reporting practice. The information included in the Five year record is prepared in accordance with IFRS as adopted by the European Union and also with IFRS as issued by the International Accounting Standards Board.

Group turnover by geographic region	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
US	**13,890**	11,982	11,263	10,197	8,222
Europe	**8,069**	7,973	7,943	7,476	6,435
International	**11,795**	10,866	10,980	10,216	9,266
	33,754	30,821	30,186	27,889	23,923

Group turnover by segment	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Pharmaceuticals	**17,554**	17,269	17,276	16,104	14,157
Vaccines	**7,157**	5,894	5,160	4,592	3,656
Consumer Healthcare	**8,995**	7,658	7,750	7,193	6,038
Segment turnover	**33,706**	30,821	30,186	27,889	23,851
Corporate and other unallocated turnover	**48**	–	–	–	72
	33,754	30,821	30,186	27,889	23,923

Pharmaceuticals turnover	2019 £m	2018 (revised) £m	2017 (revised) £m	2016 (revised) £m	2015 (revised) £m
Respiratory	**3,081**	2,612	1,930	1,052	354
HIV	**4,854**	4,722	4,350	3,556	2,322
Immuno-inflammation	**613**	472	377	340	263
Oncology	**230**	–	–	–	–
Established Pharmaceuticals	**8,776**	9,463	10,619	11,156	11,218
	17,554	17,269	17,276	16,104	14,157

Vaccines turnover	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Meningitis	**1,018**	881	890	662	326
Influenza	**541**	523	488	414	268
Shingles	**1,810**	784	22	–	–
Established Vaccines	**3,788**	3,706	3,760	3,516	3,062
	7,157	5,894	5,160	4,592	3,656

Consumer Healthcare turnover	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Wellness	**4,526**	3,940	4,001	3,726	2,970
Oral health	**2,673**	2,496	2,466	2,223	1,875
Nutrition	**1,176**	643	680	674	684
Skin health	**620**	579	603	570	509
	8,995	7,658	7,750	7,193	6,038

Five year record continued

Financial results – Total	**2019 £m**	2018 £m	2017 £m	2016 £m	2015 £m
Turnover	**33,754**	30,821	30,186	27,889	23,923
Operating profit	**6,961**	5,483	4,087	2,598	10,322
Profit before taxation	**6,221**	4,800	3,525	1,939	10,526
Profit after taxation	**5,268**	4,046	2,169	1,062	8,372
	pence	pence	pence	pence	pence
Basic earnings per share	**93.9**	73.7	31.4	18.8	174.3
Diluted earnings per share	**92.6**	72.9	31.0	18.6	172.3
	2019 millions	2018 millions	2017 millions	2016 millions	2015 millions
Weighted average number of shares in issue:					
Basic	**4,947**	4,914	4,886	4,860	4,831
Diluted	**5,016**	4,971	4,941	4,909	4,888

Financial results – Adjusted	**2019 £m**	2018 £m	2017 £m	2016 £m	2015 £m
Turnover	**33,754**	30,821	30,186	27,889	23,923
Operating profit	**8,972**	8,745	8,568	7,671	5,659
Profit before taxation	**8,236**	8,078	7,924	7,024	5,021
Profit after taxation	**6,918**	6,543	6,257	5,526	4,045
	pence	pence	pence	pence	pence
Adjusted earnings per share	**123.9**	119.4	111.8	100.6	74.6
	%	%	%	%	%
Return on capital employed	**56.5**	134.0	83.4	28.0	152.4

Return on capital employed is calculated as total profit before taxation as a percentage of average net assets over the year.

Financial record continued

Five year record continued

Balance sheet

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Non-current assets	**60,201**	41,139	40,474	42,370	36,859
Current assets	**19,491**	16,927	15,907	16,711	16,587
Total assets	**79,692**	58,066	56,381	59,081	53,446
Current liabilities	**(24,050)**	(22,491)	(26,569)	(19,001)	(13,417)
Non-current liabilities	**(37,285)**	(31,903)	(26,323)	(35,117)	(31,151)
Total liabilities	**(61,335)**	(54,394)	(52,892)	(54,118)	(44,568)
Net assets	**18,357**	3,672	3,489	4,963	8,878
Shareholders' equity (2018 revised - see Note 1)	**11,405**	3,781	(68)	1,124	5,114
Non-controlling interests (2018 revised - see Note 1)	**6,952**	(109)	3,557	3,839	3,764
Total equity	**18,357**	3,672	3,489	4,963	8,878

Number of employees

	2019	2018	2017	2016	2015
US	**16,676**	13,804	14,526	14,491	14,696
Europe	**40,524**	41,943	43,002	42,330	43,538
International	**42,237**	39,743	40,934	42,479	43,021
	99,437	95,490	98,462	99,300	101,255
Manufacturing	**36,925**	36,527	38,245	38,372	38,855
Selling	**39,184**	36,351	37,374	38,158	39,549
Administration	**11,249**	10,768	11,307	11,244	11,140
Research and development	**12,079**	11,844	11,536	11,526	11,711
	99,437	95,490	98,462	99,300	101,255

The geographic distribution of employees in the table above is based on the location of GSK's subsidiary companies. The number of employees is the number of permanent employed staff at the end of the financial period. It excludes those employees who are employed and managed by GSK on a contract basis.

Exchange rates

As a guide to holders of ADS, the following tables set out, for the periods indicated, information on the exchange rate of US Dollars for Sterling as reported by the Bank of England (4pm buying rate).

The average rate for the year is calculated as the average of the 4pm buying rates for each day of the year.

	2019	2018	2017	2016	2015
Average	**1.28**	1.34	1.29	1.35	1.53

	2020 Feb	2020 Jan	2019 Dec	2019 Nov	2019 Oct	2019 Sep
High	1.31	1.32	1.33	1.30	1.30	1.25
Low	1.29	1.30	1.29	1.28	1.22	1.21

The 4pm buying rate on 24 February 2020 was £1= US$1.29.

Five year record continued

Adjusted results reconciliation 31 December 2019	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	33,754						33,754
Cost of sales	(11,863)	713	30	658	383	–	(10,079)
Gross profit	21,891	713	30	658	383	–	23,675
Selling, general and administration	(11,402)		4	332	104	247	(10,715)
Research and development	(4,568)	64	49	114		2	(4,339)
Royalty income	351						351
Other operating (expense)/income	689			1	(142)	(548)	–
Operating profit	6,961	777	83	1,105	345	(299)	8,972
Net finance costs	(814)			5		(1)	(810)
Share of after-tax profits of associates and joint ventures	74						74
Profit before taxation	6,221	777	83	1,110	345	(300)	8,236
Taxation	(953)	(156)	(17)	(208)	(124)	140	(1,318)
Tax rate	*15.3%*						*16.0%*
Profit after taxation	5,268	621	66	902	221	(160)	6,918
Profit attributable to non-controlling interests	623				164		787
Profit attributable to shareholders	4,645	621	66	902	57	(160)	6,131
Earnings per share	93.9p	12.6p	1.3p	18.2p	1.2p	(3.3)p	123.9p
Weighted average number of shares (millions)	4,947						4,947

Adjusted results reconciliation 31 December 2018	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	30,821						30,821
Cost of sales	(10,241)	536	69	443	15	–	(9,178)
Gross profit	20,580	536	69	443	15	–	21,643
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Royalty income	299						299
Other operating (expense)/income	(1,588)			2	1,864	(278)	–
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	–
Share of after-tax profits of associates and joint ventures	31						31
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)
Tax rate	*15.7%*						*19.0%*
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Profit attributable to non-controlling interests	423				251		674
Profit attributable to shareholders	3,623	471	97	643	1,484	(449)	5,869
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914

Financial record continued

Five year record continued

Adjusted results reconciliation 31 December 2017	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	US tax reform £m	Adjusted results £m
Turnover	30,186							30,186
Cost of sales	(10,342)	546	400	545	80	–		(8,771)
Gross profit	19,844	546	400	545	80	–		21,415
Selling, general and administration	(9,672)			248		83		(9,341)
Research and development	(4,476)	45	288	263		18		(3,862)
Royalty income	356							356
Other operating (expense)/income	(1,965)				1,519	(220)	666	–
Operating profit	4,087	591	688	1,056	1,599	(119)	666	8,568
Net finance costs	(669)			4		8		(657)
Profit on disposal of associates	94					(94)		–
Share of after-tax profits of associates and joint ventures	13							13
Profit before taxation	3,525	591	688	1,060	1,599	(205)	666	7,924
Taxation	(1,356)	(134)	(176)	(209)	(619)	(251)	1,078	(1,667)
Tax rate	*38.5%*							*21.0%*
Profit after taxation	2,169	457	512	851	980	(456)	1,744	6,257
Profit attributable to non-controlling interests	637				42		114	793
Profit attributable to shareholders	1,532	457	512	851	938	(456)	1,630	5,464
Earnings per share	31.4p	9.4p	10.5p	17.4p	19.2p	(9.4)p	33.3p	111.8p
Weighted average number of shares (millions)	4,886							4,886

Adjusted results reconciliation 31 December 2016	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	27,889						27,889
Cost of sales	(9,290)	547	7	297	86	2	(8,351)
Gross profit	18,599	547	7	297	86	2	19,538
Selling, general and administration	(9,366)			514		55	(8,797)
Research and development	(3,628)	41	13	159	(81)	28	(3,468)
Royalty income	398						398
Other operating (expense)/income	(3,405)				3,914	(509)	–
Operating profit	2,598	588	20	970	3,919	(424)	7,671
Net finance costs	(664)			4		8	(652)
Share of after-tax profits of associates and joint ventures	5						5
Profit before taxation	1,939	588	20	974	3,919	(416)	7,024
Taxation	(877)	(130)	(5)	(217)	(439)	170	(1,498)
Tax rate	*45.2%*						*21.3%*
Profit after taxation	1,062	458	15	757	3,480	(246)	5,526
Profit attributable to non-controlling interests	150				487		637
Profit attributable to shareholders	912	458	15	757	2,993	(246)	4,889
Earnings per share	18.8p	9.4p	0.3p	15.6p	61.6p	(5.1)p	100.6p
Weighted average number of shares (millions)	4,860						4,860

Five year record continued

Adjusted results reconciliation 31 December 2015	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	23,923						23,923
Cost of sales	(8,853)	522	147	563	89	12	(7,520)
Gross profit	15,070	522	147	563	89	12	16,403
Selling, general and administration	(9,232)		7	1,009	88	151	(7,977)
Research and development	(3,560)	41	52	319		52	(3,096)
Royalty income	329						329
Other operating (expense)/income	7,715				2,061	(9,776)	–
Operating profit	10,322	563	206	1,891	2,238	(9,561)	5,659
Net finance costs	(653)			5		12	(636)
Profit on disposal of associates	843					(843)	–
Share of after-tax profits of associates and joint ventures	14					(16)	(2)
Profit before taxation	10,526	563	206	1,896	2,238	(10,408)	5,021
Taxation	(2,154)	(161)	(50)	(441)	(352)	2,182	(976)
Tax rate	*20.5%*						*19.4%*
Profit after taxation	8,372	402	156	1,455	1,886	(8,226)	4,045
(Loss)/profit attributable to non-controlling interests	(50)				500	(10)	440
Profit attributable to shareholders	8,422	402	156	1,455	1,386	(8,216)	3,605
Earnings per share	174.3p	8.3p	3.2p	30.1p	28.8p	(170.1)p	74.6p
Weighted average number of shares (millions)	4,831						4,831

Pipeline, products and competition

Pharmaceuticals and Vaccines product development pipeline

Key

†	In-license or other alliance relationship with third party, with the exception of Rituxan owned by Biogen MA Inc
^	ViiV Healthcare, a global specialist HIV company with GSK, Pfizer, Inc. and Shionogi Limited as shareholders, is responsible for developing and delivering HIV medicines.
1	Option-based alliance with Immunocore Ltd.
R	Receipt of Complete Response Letter
BLA	Biological Licence Application
MAA	Marketing Authorisation Application (Europe)
NDA	New Drug Application (US)
Phase I	Evaluation of clinical pharmacology, usually conducted in volunteers
Phase II	Determination of dose and initial evaluation of efficacy, conducted in a small number of patients
Phase III	Large comparative study (compound versus placebo and/or established treatment) in patients to establish clinical benefit and safety

MAA and NDA/BLA regulatory review milestones shown in the table below are those that have been achieved. Future filing dates are not included in this list.

Compound	Type	Indication	Phase	Achieved regulatory review milestones MAA	NDA/BLA
Oncology					
Zejula (niraparib)†	Poly (ADP-ribose) polymerase (PARP) 1/2 inhibitor	Fourth line treatment ovarian cancer	Approved (QUADRA)	Feb20	Oct19
		First line maintenance ovarian cancer and other solid tumours	Submitted (PRIMA) III		Dec19
dostarlimab†	Anti-programmed cell death protein 1 receptor (PD-1) antibody	dMMR/MSI-H endometrial cancer and other tumours	Submitted (GARNET) III		Dec19
belantamab mafodotin (2857916)†	B-cell maturation antigen antibody drug conjugate	multiple myeloma	Submitted (DREAMM-2) III	Dec19	Dec19
3359609†	Induced T-cell co-stimulator (ICOS) agonist antibody	Head and neck squamous cell carcinoma, non-small cell lung cancer and solid tumours	II/III		
bintrafusp alfa (M7824)†	Transforming growth factor beta (TGFß) trap and immune checkpoint (PD-1) inhibitor bispecific	Biliary tract cancer 1L and 2L non-small cell lung cancer and other tumours	II/III II		
3377794†	NY-ESO-1 autologous engineered TCR-T cells (engineered TCR)	Sarcoma, solid and heme malignancies	II		
molibresib	BET family bromodomain inhibitor	ER+ breast cancer, other solid tumours	II		
cobolimab (TSR-022)†	Anti-T-cell immunoglobulin and mucin domain-3 (TIM-3) antibody	non-small cell lung cancer and other tumours	II		
3326595†	Protein arginine methyltransferase 5 (PRMT5) inhibitor	Solid tumours, heme malignancies	I/II		
4074386 (TSR-033)†	Anti-lymphocyte activation gene-3 (LAG-3) antibody	Cancer	I/II		
3174998†	OX40 agonist monoclonal antibody	Cancer	I		
1795091	Toll-like receptor 4 (TLR4) agonist	Cancer	I		
3368715†	Type I protein arginine methyltransferase 1 (Type I PRMT) inhibitor	Cancer	I		
3537142[1]	NY-ESO-1-targeting bispecific	Cancer	I		
3745417	STING cytosolic DNA pathway agonist	Cancer	I		
HIV^ and Infectious Diseases					
Dectova (zanamivir) i.v.†	Neuraminidase inhibitor (i.v.)	Influenza	Approved	Apr19	
dolutegravir + lamivudine	HIV integrase strand transfer inhibitor + nucleoside reverse transcriptase inhibitor (NRTI)	HIV infection	Approved	Jul19	Apr19
fostemsavir	HIV attachment inhibitor	HIV infection	Submitted	Jan20	Dec19
cabotegravir + rilpivirine†	HIV integrase strand transfer inhibitor + non- nucleoside reverse transcriptase inhibitor (NNRTI) (long-acting regimen)	HIV infection	Submitted	Jul19	Apr19 R: Dec19
cabotegravir	HIV integrase strand transfer inhibitor (long-acting)	HIV pre-exposure prophylaxis	III		
gepotidacin†	triazaacenaphthylene bacterial type II topoisomerase inhibitor	uncomplicated urinary tract infection (uUTI) and gonorrhea (GC)	III		
3228836†	HBV antisense oligonucleotide	Hepatitis B	II		

Pharmaceuticals and Vaccines product development pipeline continued

Compound	Type	Indication	Phase	Achieved regulatory review milestones	
				MAA	NDA/BLA
HIV^ and Infectious Diseases continued					
3640254	HIV maturation inhibitor	HIV infection	II		
3036656†	Leucyl t-RNA synthetase inhibitor	Tuberculosis	II		
3810109†	HIV broadly neutralizing antibody	HIV infection	I		
3186899†	CRK-12 inhibitor	Visceral leishmaniasis	I		
3732394	Combinectin HIV entry inhibitor	HIV infection	I		
Immuno-inflammation					
Benlysta + *Rituxan*†	B lymphocyte stimulator monoclonal antibody (s.c.) + cluster of differentiation 20 (CD20) monoclonal antibody (i.v.)	Systemic lupus erythematosus Sjogren's syndrome	III II		
Benlysta	B lymphocyte stimulator monoclonal antibody (s.c.)	Lupus Nephritis	III		
otilimab (3196165)†	Granulocyte macrophage colony- stimulating factor monoclonal antibody	Rheumatoid arthritis	III		
2330811	Oncostatin M (OSM) monoclonal antibody	Systemic sclerosis	II		
2831781†	Lymphocyte activation gene 3 (LAG3) protein monoclonal antibody	Ulcerative colitis	II		
3858279†	CCL17 inhibitor	Pain in osteoarthritis	I		
Respiratory					
fluticasone furoate + vilanterol† + umeclidinium	Glucocorticoid agonist + long-acting beta2 agonist + muscarinic acetylcholine antagonist	Asthma	Submitted	Jan20	Sep19
mepolizumab	Interleukin 5 (IL5) monoclonal antibody	COPD Hypereosinophilic syndrome, nasal polyposis	III		
3772847†	Interleukin 33r (IL33r) monoclonal antibody	Asthma	II		
2881078	Selective androgen receptor modulator	COPD muscle weakness	II		
3511294†	Interleukin 5 (IL5) long-acting monoclonal antibody	Asthma	I		
nemiralisib	Phosphatidylinositol 3-kinase delta (PI3Kδ) inhibitor	Activated PI3K delta syndrome	I		
Other Pharmaceuticals					
daprodustat	Prolyl hydroxylase inhibitor (oral)	Anaemia associated with chronic renal disease	JNDA Submitted III		JNDA: Aug19
oxytocin (inhaled)†	Oxytocin	Postpartum hemorrhage	II		
linerixibat	Ileal bile acid transporter (IBAT) inhibitor	Cholestatic pruritus in PBC	II		
3439171†	Hematopoietic prostaglandin D2 (hPGD2) synthase inhibitor	Duchenne muscular dystrophy	I		

Pipeline, products and competition continued

Pharmaceuticals and Vaccines product development pipeline continued

Compound	Type	Indication	Phase	Achieved regulatory review milestones	
				MAA	NDA/BLA
Vaccines					
Shingrix† (Zoster Vaccine)	Recombinant protein – adjuvanted	Herpes Zoster prophylaxis for immunocompromised	Submitted	Dec19	
Bexsero	Recombinant protein	Meningococcal B disease prophylaxis in infants (US)	III		
Rotarix	Live attenuated, PCV (Porcine circovirus) free	Rotavirus prophylaxis	Submitted	Nov19	
MMR	Live attenuated	Measles, mumps, rubella prophylaxis (US)	III		
Therapeutic COPD†	Recombinant protein – adjuvanted	Reduction of the frequency of moderate and severe acute exacerbations in COPD patients by targeting non-typeable Haemophilus influenzae and Moraxella catarrhalis	II		
Malaria next generation† (fractional dose)	Recombinant protein – adjuvanted	Malaria prophylaxis (Plasmodium falciparum)	II		
Men ABCWY	Recombinant protein – conjugated	Meningococcal A,B,C,W and Y disease prophylaxis in adolescents	II		
Menveo	Conjugated. Liquid formulation	Meningococcal A,C,W and Y disease prophylaxis in adolescents	II		
Shigella†	Conjugated (tetravalent) and outer membrane vesicles (monovalent)	Shigella diarrhea prophylaxis	II		
RSV	Replication-defective recombinant viral vector	Respiratory syncytial virus prophylaxis in paediatric population	II		
	Recombinant protein	Respiratory syncytial virus prophylaxis in pregnant woman population to prevent respiratory syncytial virus lower respiratory tract illness in infants during first Months of life by transfer of maternal antibodies†	II		
	Recombinant protein – adjuvanted	Respiratory syncytial virus prophylaxis in older adult population†	I/II		
Therapeutic HBV†	Prime-boost with viral vector vaccines co- or sequentially administrated with adjuvanted recombinant proteins	Hepatitis B virus therapeutic: functional elimination of immune system mediated chronic infection	I/II		
C. Difficile	Recombinant protein – adjuvanted	Active immunization for the prevention of the primary C. Diff diseases and for prevention of recurrences	I		
SAM (Rabies model)	Self-Amplifying mRNA	Rabies prophylaxis	I		

Brand names appearing in italics are trade marks owned by or licensed to the GSK group of companies.

Pharmaceutical products, competition and intellectual property

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[2] US	Patent expiry dates[2] EU
Respiratory					
Anoro Ellipta	umeclidinium bromide/ vilanterol trifenatate	COPD	Stiolto Respimat, Utibron/Ultibro Breezhaler, Duaklir Genuair Bevespi, Aerosphere	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Arnuity Ellipta	fluticasone furoate	asthma	Qvar, Pulmicort Asmanex, Alvesco	2021 (NCE) 2027-2030 (device/ formulation)	2023 (NCE) 2022-2026 (device/ formulation)
Avamys/Veramyst	fluticasone furoate	rhinitis	Nasonex	2021[1]	2023
Flixotide/Flovent	fluticasone propionate	asthma/COPD	Qvar, Singulair	expired (*Diskus device*) 2020-2026 (HFA-device)	expired (*Diskus device*) expired (HFA-device)
Incruse Ellipta	umeclidinium bromide	COPD	Spiriva Handihaler/ Respimat, Eklira Genuair Seebri Breezhaler	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Nucala	mepolizumab	severe eosinophilic asthma, EGPA	Xolair, Cinqair, Fasenra, Dupixent	expired[3]	2020[3]
Relvar/Breo Ellipta	fluticasone furoate/ vilanterol trifenatate	asthma/COPD	Symbicort, Foster, Flutiform, Dulera	2025 (NCE) 2027-2030 (device/ formulation)	2027 (NCE) 2022-2026 (device/ formulation)
Seretide/Advair	salmeterol xinafoate/ fluticasone propionate	asthma/COPD	Symbicort, Foster, Flutiform, Dulera	expired (*Diskus device*) 2020-2026 (HFA-device)	expired (*Diskus device*) expired (HFA-device)
Trelegy Ellipta	fluticasone furoate/ vilanterol trifenatate umeclidinium bromide	COPD	Trimbow, Brextri Aerosphere	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Ventolin HFA	albuterol sulphate	asthma/COPD	generic companies	2020-2026 (HFA-device)	expired (HFA-device)
Anti-virals					
Valtrex	valaciclovir	genital herpes, coldsores, shingles	Famvir	expired	expired
Central nervous system					
Lamictal	lamotrigine	epilepsy, bipolar disorder	Keppra, Dilantin	expired	expired
Imigran/Imitrex	sumatriptan	migraine	Zomig, Maxalt, Relpax	expired	expired
Seroxat/Paxil	paroxetine	depression, various anxiety disorders	Effexor, Cymbalta, Lexapro	expired	expired
Cardiovascular and urogenital					
Avodart	dutasteride	benign prostatic hyperplasia	Proscar, Flomax, finasteride	expired	expired
Anti-bacterials					
Augmentin	amoxicillin/clavulanate potassium	common bacterial infections	generic products	NA	expired
Oncology					
Zejula	niraparib	ovarian cancer	Lynparza, Rubraca	2030 (NCE)	2028 (NCE)
Immuno-inflammation					
Benlysta, Benlysta SC	belimumab	systemic lupus erythematosus		2025	2026

1 Generic competition commenced in 2017.
2 Includes Supplementary Protection Certificates which were granted in multiple countries in EU and patent term extensions granted in the US.
3 Data exclusivity expires 2025 (EU) and 2027 (US).

Pipeline, products and competition continued

Pharmaceutical products, competition and intellectual property continued

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[3] US	EU
HIV					
Juluca	dolutegravir, rilpivirine	HIV/AIDS	Descovy, Genvoya, Odefsey, Biktarvy	2027 (NCE)	2029 (NCE)
Dovato	dolutegravir, lamivudine	HIV/AIDS	Descovy, Genvoya, Odefsey, Biktarvy	2027 (NCE)	2029 (NCE)
Selzentry/Celsentri	maraviroc	HIV/AIDS	Isentress, Intelence, Prezista	2021 (NCE)	2022 (NCE)
Tivicay	dolutegravir	HIV/AIDS	Isentress, Prezista Symtuza, Reyataz, Biktarvy	2027[1] (NCE)	2029 (NCE)
Triumeq	dolutegravir, lamivudine and abacavir	HIV/AIDS	Descovy, Genvoya Odefsey, Biktarvy	2027 (NCE)	2029 (NCE)

Vaccine products, competition and intellectual property

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[3] US	EU
Bexsero	meningococcal group-B vaccine	Meningitis group B prevention	Trumenba	2027	2028
Boostrix	diphtheria, tetanus, acellular pertussis	diphtheria, tetanus, acellular Pertussis booster vaccination	Adacel	expired	expired
Infanrix Hexa/Pediarix	diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU)	Prophylaxis against diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU)	Pentacel, Pediacel, Pentaxim, Pentavac, Hexaxim, Hexyon Vaxelis	expired	expired
Cervarix	HPV 16 & 18 virus like particles (VLPs), AS04 adjuvant (MPL + aluminium hydroxide)	human papilloma virus type 16 and 18	*Gardasil* (Silgard)	2028	2022
Fluarix Tetra	split inactivated influenza antigens (2 virus subtypes A and 2 subtype B)	seasonal influenza prophylaxis	Intenza, Flumist QIV, Vaxigrip QIV, Fluzone QIV, Fluzone High Dose	2022	2022
FluLaval	split inactivated influenza antigens (2 virus subtypes A and 2 subtype B)	seasonal influenza prophylaxis	Vaxigrip, Mutagrip, Fluzone, Influvac, Aggripal, Fluad, Intenza, Flumist	2022	2022
Menveo	meningococcal group A, C, W-135 and Y conjugate vaccine	Meningitis group A, C, W-135 and Y prophylaxis	Nimenrix, Menactra	2025	2025
Prepandrix	derived split inactivated influenza virus antigen, AS03 adjuvant	pandemic H5N1 influenza prophylaxis	Aflunov, Vepacel	–	2026
Priorix, Priorix Tetra[a,b] *Varilrix*[b]	live attenuated measles, mumps, rubella and varicella vaccine	measles, mumps, rubella and chickenpox prophylaxis	MMR II (M-M-RVaxPro) Proquad, Varivax	expired	expired
Rotarix	Human rotavirus RIX4414 strain	Rotavirus prophylaxis	Rotateq	–	2020
Synflorix	conjugated pneumococcal polysaccharide	Prophylaxis against invasive disease, pneumonia, acute otitis media	Prevenar (Prevnar)	NA	2024
Shingrix	zoster vaccine recombinant, adjuvanted	herpes zoster (shingles)	Zostavax	2026	2026

1 See Note 46 to the financial statements, 'Legal proceedings'.
2 Generic competition commenced in many markets during 2016.
3 Includes Supplementary Protection Certificates which were granted in multiple countries in EU and patent term extensions granted in the US.
a Related compounds/indications are measles, mumps and rubella vaccine/prophylaxis
b Related compound is varicella vaccine

Consumer Healthcare products and competition

Brand	Products	Application	Markets	Competition
Wellness				
Respiratory				
Otrivin	nasal spray	nasal decongestant	Germany, Netherlands, Norway, Russia, Sweden	Afrin, Bayer, Nasivin, Proctor & Gamble, Tyzine, Johnson & Johnson
Theraflu	hot liquids, tablets, syrups	cold and flu relief	Russia, Poland, US	Tylenol Cold & Flu, Johnson & Johnson Mucinex, Reckitt Benckiser Lemsip, Reckitt Benckiser
Flixonase/Flonase Piriton	nasal spray, tablets	allergy relief	US, China, UK, Ireland	Claritin, Bayer, Allegra, Sanofi Zyrtec, Johnson & Johnson
Nicorette (US), NicoDerm, Nicotinell (ex. Australia)	lozenges, gum and trans-dermal patches	treatment of nicotine withdrawal as an aid to smoking reduction and cessation	global	Nicorette, Johnson & Johnson NiQuitin, Perrigo
Pain relief				
Panadol and Panadol Cold & Flu	tablets, caplets, infant syrup drops	paracetamol-based treatment for headache, joint pain, fever, cold symptoms	global (except US)	Aspirin, Bayer Tylenol, Johnson & Johnson
Voltaren	topical gel	non-steroidal, diclofenac based anti-inflammatory	global (except US)	Aspirin, Bayer Tylenol, Johnson & Johnson
Advil non-respiratory range	tablets, caplets, gel caplets, liquid filled suspension, drops (children's)	ibuprofen based treatment for headache, toothache, backache, menstrual cramps, muscular pains, minor pain of arthritis	US, Canada, Brazil, Colombia, Mexico	Tylenol, Tylenol PM, Tylenol Children's Motrin, Motrin Children's, Johnson & Johnson Aleve, Aleve PM, Bayer
Advil Respiratory Cold and Flu, *Advil* Respiratory Allergy	tablets	allergy relief and cold & flu relief		Tylenol Cold & Flu, Johnson & Johnson, Lemsip, Mucinex, Reckit Benckiser
Other				
ENO	effervescent	immediate relief antacid	global (except US)	Estomazil, Hypermarca, Gelusil
Tums	chewable tablets	immediate relief antacid	US	Alka-Seltzer, Bayer Gaviscon, Reckitt Benckiser Rolaids, Sanofi
Oral health				
Sensodyne, Pronamel	toothpastes, toothbrushes, mouth rinse	relief of dentinal hypersensitivity. *Pronamel* additionally protects against acid erosion	global	Colgate Sensitive Pro-Relief, Colgate-Palmolive Elmex, Colgate-Palmolive Oral B, Procter & Gamble
parodontax/ Corsodyl	toothpaste, daily/medicated mouthwash, gel and spray	helps stop and prevent bleeding gums, treats and prevents gingivitis	global	Colgate Total Gum Health, Colgate-Palmolive Oral B Gum & Enamel Repair, Crest Gum Detoxify, Procter & Gamble
Polident, Poligrip, Corega	denture adhesive, denture cleanser, wipes	improve retention and comfort of dentures, cleans dentures	global	Fixodent and Kukident, Procter & Gamble, Steradent, Reckitt Benckiser
Aquafresh	toothpastes, toothbrushes mouthwashes	aids prevention of dental cavities, maintains healthy teeth, gums and fresh breath	global	Colgate, Colgate-Palmolive Crest, Procter & Gamble Oral-B, Procter & Gamble
Skin health				
Zovirax Abreva	topical cream and non-medicated patch	lip care to treat and prevent the onset of cold sores	global	Compeed, Johnson & Johnson Carmex, Carma Labs Blistex, Blistex Incorporated retail own label
ChapStick	lip balm	protect, moisturise, prevent and soothe chapped lips	global	Blistex, Burt's Bees, Carmex, Carma Labs, EOS, Nivea, Beiersdorf, Vaseline, Unilever
Nutrition				
Centrum	tablets gummies	vitamin and mineral supplementation	global	Nutralite, Infinitus Cheong-Kwan-Jung, By-Health, Nature Made, Herbalife, Swisse
Caltrate	tablets, gummies, soft chews	calcium supplement	global	Citracal, Bayer, OS-Cal, Nature Made and private label

Principal risks and uncertainties

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. They are the risks that we believe could cause our actual results to differ materially from expected and historical results.

During 2019, we continued to embed changes to our risk management and reporting cycle to help us identify, manage and report our most important risks across the organisation in a more consistent and proportionate way. We completed Enterprise Risk Plans for all of our most important risks and ensured businesses adopted them and only adapted them with approval. We deployed confirmation across the organisation, reinforcing leader accountability for risk management, and measured how well the controls set out in the Enterprise Risk Plans had been implemented and gaps closed. We further evolved our risk management process by introducing new reports to the Board with more focus on data and key risk indicators, leading to better informed discussions on risk exposure and action needed. We introduced a new approach to the annual risk review to support CET decisions on any changes required to our most important risks.

We are required to comply with a broad range of laws and regulations which apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccines and Consumer Healthcare products.

These affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully on an uninterrupted basis.

As rules and regulations change, government interpretation evolves, and our business activities change, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable laws and regulations could materially and adversely affect our financial results.

Similarly, our global business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties in our significant unresolved disputes and potential litigation is set out in Note 46 ‘Legal proceedings’.

UK regulations require a discussion of the mitigation activities a company takes to address principal risks and uncertainties. Below is a description of each of our principal risks with a summary of the activities that we take to manage each risk across our businesses. The principal risks and uncertainties are not listed in order of significance.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report human safety information (HSI), including adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The risk impact has the potential to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/ benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/ analyses, as appropriate. Additionally, this risk could potentially negatively impact our ability to incorporate verified safety signals into local (country) labelling. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace.

Questions about the safety of our products may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third parties that may analyse publicly available clinical trial results. Constant vigilance and flexibility are required in order to respond to a varied regulatory environment which continues to evolve and diverge globally. Externally, developments in data interrogation present potential benefits for patient safety but the volume of data to be analysed presents a significant challenge which intensifies when coupled with fragmented regulatory requirements and privacy concerns. In the economic arena, mergers and acquisition activities introduce data integrity risks. Technology presents a significant opportunity for patient safety risk management by creating more reliable data interrogation tools and more accurate data collection mechanisms, even though the pace of Artificial Intelligence development has not been as great as once expected. Cyberattacks are an ever-growing concern given the volume of data and digital dependency.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who take our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group’s financial results.

Patient safety continued

Mitigating activities

The Chief Medical Officer (CMO) is accountable for the patient safety enterprise risk and has the authoritative role for evaluating and addressing matters of human safety. The CMO is supported by an enterprise-wide Safety Governance Board to provide oversight and management of the control framework, including the risk management process. Product specific safety governance boards are in place to ensure that human safety is addressed proactively throughout the product lifecycle. Each business has a named medical officer and subsidiary business specific boards provide further oversight and governance.

It is our policy that employees are required to report immediately any issues relating to the safety or quality of our products. Each of our country managers is responsible for monitoring, exception tracking and training that helps assure the collection of safety information and reporting the information to the relevant central safety department, in accordance with policy and legal requirements.

Once a Group product is approved for marketing, we have an extensive post-marketing surveillance and signal detection system. Information on possible side effects of products is received from several sources including unsolicited reports from healthcare professionals (HCPs) and patients, regulatory authorities, medical and scientific literature, traditional media and social media.

Information that changes the risk/benefit profile of one of our products will result in certain actions to characterise, communicate and minimise the risk. Proposed actions are discussed with regulatory authorities and can include modifying the prescribing information, communications to physicians and other healthcare providers, restrictions on product prescribing/availability to help assure safe use, and sometimes carrying out further clinical trials. In certain cases, it may be appropriate to stop clinical trials or to withdraw the medicine from the market.

In 2019, we implemented organisational changes to create a more flexible, scalable and fit for purpose organisation to meet changing internal and external demands. We are also investing in system upgrades and quality checks to reduce risks of individual case safety reports.

Product quality

Risk definition

Failure by GSK, its contractors or suppliers to ensure:

- Appropriate controls and governance of quality in product development
- Compliance with good manufacturing practice or good distribution practice regulations in commercial or clinical trials manufacture and distribution activities
- Compliance with the terms of GSK product licences and supporting regulatory activities

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety, delays in launching products, drug shortages, product recalls, as well as regulatory, legal, and financial consequences, which could materially and adversely affect GSK's reputation and financial results.

Context

The external environment for product quality continues to be challenging. The single biggest change since 2018 is the political instability and uncertainty surrounding the delivery of Brexit and the implications for medicine supply continuity both into and out of mainland Europe. Two new sets of requirements are due to be implemented by EMA shortly and we are preparing for both. In the first quarter of 2020, there will be new reporting requirements on potential drug shortages and from May 2020 there are new regulations covering the licensing of medical devices.

Technological developments are increasingly used to both enhance manufacture and to support the inclusion of packaging features that help secure the legitimate supply chain e.g. serialisation. The threat of cyberattacks remains a key risk to the integrity of product quality data and its audit trail.

Significant changes are taking place in GSK as we implement the new organisational alignments and IPTc strategy. These changes are assessed by the Quality organisations to ensure our quality procedures and governance can facilitate the strategy whilst also ensuring that no unintended consequences increase our product quality risk.

Mitigating activities

An extensive global network of quality and compliance professionals is aligned with each business unit to provide oversight and assist with the delivery of quality performance and operational compliance, from site level to senior management level. Management oversight of those activities is accomplished through a hierarchy of quality councils and through an independent Chief Product Quality Officer and Global Product Quality Office that provides oversight of product quality risk across the company.

We have developed and implemented a single Quality Management System that defines the quality standards and systems for our businesses associated with Pharmaceuticals, Vaccines and Consumer Healthcare products and clinical trial materials. This system has a broad scope and is applicable throughout the product lifecycle from R&D to mature commercial supply. It is augmented by a consolidation of the numerous regulatory requirements defined by markets across the world which assures that it meets external expectations for product quality in the markets supplied. It is based on the internationally recognised principles from the 'ICH Q10: Pharmaceutical Quality Systems' framework.

Principal risks and uncertainties continued

Product quality continued

The Quality Management System is routinely updated to ensure that it keeps pace with the evolving external regulatory environment and with new scientific understanding of our products and processes. As part of our drive to continually improve the operational deployment of our Quality Management System, we are making our policies and procedures simpler to understand and implement, as well as adopting innovative tools to give a more user-friendly experience. All staff members are regularly trained in regulatory expectations, learnings from inspections and current procedures to ensure continued maintenance of cGMP standards.

We have implemented a risk-based approach to assessing and managing third party suppliers that provide materials which are used in finished products. Contract manufacturers making our products are expected to comply with GSK standards and are regularly audited to provide assurance that standards are met.

Product Incident Committee processes are in place to investigate product issues and make recommendations on remediation activities including where necessary, the recall of product from the marketplace in order to protect patients and consumers. A complaints process is also in place to ensure GSK responds to product quality issues raised by patients and customers.

Allegations of non-compliance or misconduct received through formal and informal 'Speak Up' channels are reviewed and triaged by independent functions. Global disciplinary and enforcement procedures apply to any breaches of our standards, initiated following an investigation.

Key risk indicators are leveraged to support risk management activities and we provide the Corporate Executive Team and Risk Oversight and Compliance Council with an integrated assessment of product quality performance.

Financial controls and reporting

Risk definition

Failure to comply with current tax laws or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. In the current period of significant political uncertainty especially in the USA and UK, there can be significant changes at short notice. Failure to comply with any changes in the substance or application of the governing laws covering transfer pricing, dividends, tax credits, and intellectual property could materially and adversely affect our financial results.

Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this can lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, daily. These transactions involve market volatility and counterparty risk.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and considers regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate. In addition, the worldwide nature of our operations means that our intellectual property, R&D and manufacturing operations are centered in several key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end markets, can be complex and result in conflicting claims from tax authorities as to the profits to be taxed in individual countries. Tax legislation itself is also complex and differs across the countries in which we operate. As such, tax risk can also arise due to differences in the interpretation of such legislation. The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities.

We expect there to be continued focus on tax reform driven by initiatives of the Organisation for Economic Cooperation & Development to address the taxation of the digital economy and European Commission initiatives including the use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principles and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation and relationship with key stakeholders.

Financial controls and reporting continued

Mitigating activities

Financial results are reviewed and approved by regional management and then reviewed with the Financial Controller and the Chief Financial Officer (CFO). This allows our Financial Controller and our CFO to assess the evolution of the business over time, and to evaluate performance to plan. Significant judgments are reviewed and confirmed by senior management. Technical or organisational transformation and newly acquired activities are integrated into risk assessments and appropriate controls and reviews are applied.

We maintain a control environment designed to identify material errors in financial reporting and disclosure. The design and operating effectiveness of key financial reporting controls are regularly reviewed by management and tested by external third parties. A minimum standard control set is in place for all finance locations irrespective of size and reviewed by management and monitored independently. This provides us with the assurance that controls over key financial reporting and disclosure processes have operated effectively. Our Global Finance Risk Management and Controls Centre of Excellence provides extra support during significant transformations such as system deployment or management/structural reorganisations. We also add operational resources to ensure processes and controls are maintained during such changes. Additional risk mitigation has been introduced by amending the programme timelines of system upgrades to optimize delivery.

The Disclosure Committee, reporting to the Board, reviews the Group's quarterly results and Annual Report and determines throughout the year, in consultation with its legal advisors, whether it is necessary to disclose publicly information about the Group through Stock Exchange announcements. We keep up-to-date with the latest developments in financial reporting requirements by working with our external auditor and legal advisors.

The Treasury Management Group meets on a regular basis to seek to ensure that liquidity, interest rate, counterparty, foreign currency transaction and foreign currency translation risks are all managed in line with the conservative approach as detailed in the associated risk strategies and policies which have been adopted by the Board.

Counterparty exposure is subject to defined limits approved by the Board for both credit rating and individual counterparties. Oversight of Treasury's role in managing counterparty risk in line with agreed policy is performed by a Corporate Compliance Officer, who operates independently of Treasury. Further details on mitigation of Treasury risks can be found on pages 227 to 229, Note 43 'Financial instruments and related disclosures'.

Tax risk is managed through robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations. We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. We monitor government debate on tax policy in our key jurisdictions to deal proactively with any potential future changes in tax law. We engage advisors and legal counsel to confirm the implications for our business of tax legislation. Where appropriate, we are active in providing relevant business input to tax policy makers. Significant decisions are submitted for consideration to the Tax Governance Board which meets quarterly and comprises senior personnel from across GSK's Finance division.

Our tax affairs are managed on a global basis through a coordinated team of tax professionals led by the Global Head of Tax who works closely with the business. Our tax professionals are suitably qualified for the roles they perform, and we support their training needs in order that they continue to be able to provide up to date technical advice. We submit tax returns according to statutory time limits and engage with tax authorities to seek to ensure our tax affairs are current, entering arrangements such as Continuous Audit Programmes and Advance Pricing Agreements where appropriate. These agreements provide long-term certainty for both tax authorities and for us over the tax treatment of our business. In exceptional cases where matters cannot be settled by agreement with tax authorities, we may have to resolve disputes through formal appeals or other proceedings.

Anti-bribery and corruption (ABAC)

Risk definition

The ABAC risk comprises five sub-risk areas:

- Bribery of public officials by GSK
- Bribery of commercial and other non-public entities by GSK
- Bribery by third parties acting on behalf of GSK
- GSK employees receiving and/or requesting bribes and/or other undue personal benefit
- Other corruption-non-compliance with laws and regulations related to money laundering or facilitation of tax evasion by third parties/clients/partners.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action, and civil and criminal liability and may compromise the Group's ability to supply its products under certain government contracts. In addition to legal and financial penalties, a failure to prevent bribery through complying with ABAC legislation and regulations could have substantial implications for the reputation of the company, the credibility of senior leaders, and an erosion of investor confidence in our governance and risk management.

Principal risks and uncertainties continued

Anti-bribery and corruption (ABAC) continued

Context

The macro risk level remains unchanged as we continue to see legal frameworks similar to the UK and US develop in emerging economies; high standards are expected of individuals and corporations aided by improved technology and increased enforcement.

The overall environment for ABAC in 2019 remained challenging. Divergence of legislation is making compliance harder and countries are increasingly holding individuals accountable as well as corporations, increasing the employer duty of care. Society is holding corporations to ever higher standards with technology providing a speedy and anonymous avenue for dissemination of previously privileged information or even damaging false reports. Enforcement actions and penalties have increased across the globe with focus on use of third-party intermediaries. Supportive aspects of new policies include Latin America moving towards compliance regimes like those established by the US and UK. In India there was an amendment of the Corruption Act (2018) which explicitly makes an offence to pay a bribe. China has introduced significant anti-bribery and anti-corruption/legislative and regulatory reforms.

The GSK exposure remains unchanged.

Mitigating activities

Programme governance is provided through Enterprise Risk Management overseen by the ABAC/TPO Governance Board which includes representation from key functional areas and the business. This joint board was created in 2019 to ensure strategic focus across the two principle risk areas as they have considerable co-dependency.

We have an enterprise-wide ABAC programme designed to ensure compliance with our ABAC policies and mitigate the risk of bribery and corruption. It builds on our business standards, values and expectations to form a comprehensive and practical approach to compliance and is flexible to the evolving nature of our business.

We have appropriate controls in place such as training, awareness raising, strong monitoring around transactions and payments to third parties. We plan to continue with pre and post-transaction ABAC due diligence, increase the capabilities in the business on monitoring, oversight and red flag resolution of third parties; review controls and accountabilities of government officials. We continue to understand and assess our money-laundering risk exposure and mitigate any existing risk.

Our Code of Conduct, values and expectations, and commitment to zero tolerance are integral to how we mitigate this risk. In light of the complexity and geographic breadth of this risk, we constantly evolve our oversight of activities and data, reinforce to our workforce clear expectations regarding acceptable behaviours, and maintain regular communications between the centre and local markets.

Our ABAC programme is built on best in class principles and is subject to ongoing review and development. It provides us with the basis from which we seek to manage the risk from top down and bottom up. For example, the programme comprises top-level commitment from the Board of Directors and leadership, and a new data analytics programme to create and embed local key risk indicators to enable targeted intervention and risk management activities.

The programme is underpinned by a global ABAC policy and written standards that address commercial and other practices that give rise to ABAC risk. In addition, the programme mandates enhanced controls over interactions with government officials and during business development transactions. Controls in our ABAC policy establish due diligence requirements for the engagement of third parties. The ABAC team continually works together with the TPO team to address and improve controls and monitoring requirements when engaging third parties.

We provide mandatory periodic ABAC training to our staff and relevant third parties in accordance with their roles, responsibilities and the risks they face.

We have a dedicated ABAC team responsible for the implementation and evolution of the programme in response to developments in the internal and external environment. For example, in 2019 we introduced a global process to centrally document conflicts of interest (COI) of employees and complementary workers supported by a simpler policy to ensure we can collate and report on COI management in the organisation.

This is complemented with independent oversight and assurance undertaken by the Audit & Assurance and Independent Business Monitoring teams. Issues identified during oversight and assurance exercises as well as resulting from investigations are used to identify areas for specific intervention in the markets as well as to continuously improve the programme.

We continually benchmark our ABAC programme against other large multinational companies and use external expertise and internal insights to drive improvements in the programme.

Formal and informal ‘Speak Up’ channels are available to report misconduct or non-compliance. Allegations of non-compliance are reviewed and triaged by the central investigations team and allocated for investigation as appropriate.

Commercial practices

Risk definition

Failure to engage in commercial activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements relating to marketing and communications about our medicines and associated therapeutic areas; appropriate interactions with healthcare professionals (HCPs) and patients; and legitimate and transparent transfer of value.

Risk impact

Failure to manage risks related to commercial practices could materially and adversely affect our ability to deliver our strategy and long-term priorities. Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs which could result in government sanctions, and criminal and/or financial penalties. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the risk/benefit profile of our products and possibly suboptimal treatment of patients and consumers. Any practices that are found to be misaligned with our values could also result in reputational harm and dilute trust established with external stakeholders.

Context

We continue to evolve our business operations (including acquisitions and joint ventures) to operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products that reflect insights which help ensure those products address the needs of patients/consumers, HCPs, and payers are critical to achieve our strategic objectives.

As other pharmaceutical, vaccine and consumer companies, we face downward price pressure in major markets, declining emerging market growth, rapidly evolving digital landscape, and negative foreign exchange impact.

Developing new Pharmaceutical, Vaccine and Consumer Healthcare products is a costly, lengthy and an uncertain process. A product candidate may fail at any stage, including after significant economic and human resources have been invested. Our competitors' products or pricing strategies, or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our purpose to improve the quality of human life by enabling people to do more, feel better, and live longer. To accomplish this purpose, we engage the healthcare community in various ways to provide important information about our medicines.

Promotion of approved products seeks to ensure that HCPs globally have access to information they need, that patients and consumers have access to the information and products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal and ethical manner.

Mitigating activities

Our strategic objectives are designed to ensure we achieve our purpose of helping people do more, feel better and live longer. We continue to strive for new product launches that are competitive and resourced effectively. We also strive to have a healthy proportion of the Group's sales ratio attributable to new product or innovation sales.

This innovation helps us defray the effect, for example, of downward price pressure in major markets, declining emerging market growth, rapidly evolving digital landscape, and negative foreign exchange impact. Establishing new products that are priced to balance expectations of patients and consumers, HCPs, payers, shareholders, and the community enables us to maintain a strong global business and remain relevant to the needs of patients and consumers. Our values and behaviours provide a guide for how we lead and make decisions. We constantly strive to do the right thing and deliver quality products and ensure supply is sustained to meet customer needs and demand requirements, seeking to ensure our actions reflect our values, behaviours and the purpose of our company.

We have taken action to enhance and improve standards and the application of data analytics and e-commerce channels. We have policies and standards governing commercial activities undertaken by us or on our behalf. Training has been implemented to support the evolution of our activities to all relevant employees. All of these activities we conduct worldwide must conform to high ethical, regulatory, and industry standards. Where local standards differ from global standards, the more stringent of the two applies. Where the standards of an acquired company or joint venture partner differ from our global standards, we will expediently remediate legacy policies and implement revisions to gain alignment. We have harmonised policies and procedures to guide above-country commercial practice processes as well as clarified applicable standards for operations in the various markets in which we operate. Each business has adopted the Internal Control Framework to support the assessment and management of its risks. Commercial practices activities have appropriate monitoring programmes and oversight from business unit Risk Management and Compliance Boards that manage risks across in-country business activities. Where in the past we have fallen below our own or any other regulatory or industry standards, we have sought to improve both the framework and culture for our compliance processes.

Principal risks and uncertainties continued

Commercial practices continued

All promotional materials and activities must be reviewed and approved according to our policies and standards, and conducted in accordance with local laws and regulations, to seek to ensure that these materials and activities fairly represent the products or services of the Group. When necessary, we have disciplined (up to and including termination) employees who have engaged in misconduct and claw back remuneration from senior management in the event of misconduct

We made changes to our incentive programme for our Pharmaceutical and Vaccines sales representatives to better recognise and reward individual effort. Specifically, in Specialty Care, the capped variable pay element of a sales representative's compensation will be evaluated on the basis of individual sales targets. The changes were implemented in the US, UK and Canada from July 2019 supported by a comprehensive training, control, and monitoring framework to ensure implementation of the new programme is fully aligned with GSK's values-based approach to HCP engagement.

We allow fair market value payments to be made by GSK to expert practitioners to speak about our innovative medicines and vaccines in a limited number of countries during a restricted time period in a product's lifecycle. Controls and training ensure appropriate oversight across the markets. We report payments to individual HCPs as part of our commitment to transparency and responsible disclosure.

Consumer Healthcare has developed a Digital risk plan to support implementation of a robust control framework. Actions include development of new written standards, use of tools to increase visibility and control over social media presence, and an increase in management monitoring.

GSK is committed to comply with all applicable sanctions laws and regulations, and it has deployed a sanctions programme designed to enable management of sanctions risk. The programme, owned by Finance, comprises of various systems and controls including, but not limited to, policies and procedures, training and awareness, screening, monitoring and risk reporting.

Privacy

Risk definition
The failure to collect, secure, use and destroy personal information (PI) in accordance with data privacy laws can lead to harm to individuals and GSK, including fines and operational, financial and reputational risk.

Risk impact
Non-compliance can lead to harm to individuals and GSK. It can also damage trust between GSK and individuals, communities, business partners and government authorities.

The General Data Protection Regulation (GDPR), with other privacy legislation following suit, increased the enforcement powers of supervisory authorities, including the ability to impose fines and to suspend processing of PI. GDPR and other privacy laws also give individuals the right to bring collective legal actions against GSK for failure to comply with data privacy laws.

Context
Data privacy legislation is diverse with limited harmonisation or simplification, despite Europe's adoption of GDPR. It is challenging for multi-nationals to standardise their approach to compliance with data privacy laws due to the high-level of local variation. Governments are enforcing compliance with data privacy laws more rigorously. The focus on the ethical use of PI is growing, over and above compliance with data privacy laws, due to an increase in data volume processed and advancements in technology. Individuals are more aware of their rights under data privacy laws.

Mitigating activities
The Chief Compliance Officer is also the chairperson of the Privacy Governance Board (PGB), which oversees GSK's overall data privacy operating model. Each business and function have appointed a Risk Owner who is accountable for the oversight of privacy risks in that business or functional area. They are supported by Privacy Leaders within their business or function. Additionally, in some countries data privacy laws require a Data Protection Officer (DPO) to be appointed. GSK has appointed a single DPO for the European Union, who is represented and supported in specific countries by Country Privacy Advisors. The Chief Compliance Officer is the Enterprise Risk Owner (ERO). The ERO has appointed a delegate risk owner, the Global Privacy Officer (GPO) who has accountability on a day-to-day basis for designing and implementing the control framework. The GPO co-leads the cross-functional Privacy Centre of Excellence (CoE), together with the Global Privacy Counsel. They are supported by Privacy Officers and Privacy Counsel for each Region and multiple Country Privacy Advisors (who are familiar with local privacy regulations).

GSK has evolved the initial control framework implemented for GDPR to be a comprehensive privacy control framework based on global privacy principles common across many local privacy laws. This global framework is now being deployed in countries with robust privacy legislation in place or coming into effect soon to strengthen local risk mitigation measures.

Privacy continued

The Privacy Centre of Excellence in Global Ethics and Compliance is responsible for (i) improving the control framework further; (ii) implementing the control framework outside of the European Economic Area; (iii) remediating certain existing business activities to ensure compliance with GDPR and (iv) deploying a comprehensive training programme to drive greater awareness and accountability for managing PI across the entire organisation. Key roles of the privacy network at GSK will be certified with an accredited international privacy association.

Through monitoring, we continuously improve our processes, such as issue identification, reporting and handling. We have implemented a legislative scanning process to detect and assess new privacy regulations early allowing us to prepare and mitigate regulatory risk to GSK. The Privacy Centre of Excellence is involved in new business development opportunities at an early stage to ensure appropriate due diligence is performed and the right steps are taken when onboarding or splitting off a business unit.

Research practices

Risk definition

Research practices risk is the failure to adequately conduct ethical and sound pre-clinical and clinical research. In addition, it is the failure to engage in scientific activities that are consistent with the letter and spirit of the law and industry, or the Group's requirements. It comprises the following sub-risks: Non-clinical & laboratory research; Human subject research; Data integrity; Care, welfare and treatment of animals; Human biological samples management; Data disclosure; Regulatory filings and engagement; Scientific engagement; and Intellectual property.

Risk impact

The impacts of the risk include harm to human subjects, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), loss of revenue due to inadequate patent protection or inability to supply GSK products, and regulatory action such as fines, penalties, or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results and cause loss of trust from our customers and patients.

Context

Research relating to animals can raise ethical concerns however, in many cases, research in animals is the only method that can be used to investigate the effects of a potential new medicine in a living body other than in humans. Animal research provides critical information about the causes and mechanisms of diseases and therefore remains a vital part of our research. We continually seek ways in which we can minimise our use of animals in research whilst complying with regulatory requirements and reduce the impact on the animals used.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety, or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products. GSK is committed to ensuring that human biological samples are managed in accordance with relevant laws, regulations and ethical principles, in a manner that respects the interests of the sample donors.

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting, storage and retrieval. Our research data is governed by legislation and regulatory requirements. Research data and supporting documents are core components at various stages of pipeline progression decision-making and form the content of regulatory submissions, publications and patent filings. Poor data integrity can compromise our research efforts and negatively impact company reputation.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Continually changing and increasingly stringent submission requirements continue to increase the complexity of worldwide product registration. The continued supply of GSK medicines to patients is dependent on the ongoing compliance and maintenance of these licenses across many geographies whose requirements and timelines differ. The secure management of the high volume of lifecycle changes to these licenses and their renewal is critical to enable compliant supply. Failure to maintain licenses will directly impact patients and company revenue.

Scientific engagement, defined as the interaction and exchange of information between GSK and external communities to advance scientific and medical understanding, including the appropriate development and use of our products, is an essential part of scientific discourse. Such non-promotional engagement with external stakeholder groups is vital to GSK's purpose and necessary for scientific and medical advance. Scientific engagement activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments to HCPs have, or are perceived to have, promotional intent.

A wide variety of biological materials are used by GSK in discovery, research and development phases. Through the Convention on Biological Diversity (CBD) and the Nagoya Protocol, the international community has established a global framework regulating access to, and use of, genetic resources of non-human origin in R&D.

Principal risks and uncertainties continued

Research practices continued

We support the principles of access and benefit sharing to genetic resources as outlined in the CBD and the Nagoya Protocol, recognising the importance of appropriate, effective and proportionate implementation measures at national and regional levels.

Patent rights are awarded to protect innovation and play an important role in providing GSK with a competitive advantage in the market for a limited period of time. Any loss of patent protection in a market for GSK's products developed through our R&D, including reducing the term, availability or scope of patent rights, could materially and adversely affect our financial results in that market. Absence of adequate patent or data exclusivity protection, which could lead to, for example, competition from manufacturers of generic or biosimilar pharmaceutical products, could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely impact our financial results.

Following expiration of certain intellectual property rights, a generic or biosimilar manufacturer may lawfully produce a generic version of a product. Introduction of generic products typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

Mitigating activities

We have an established Office of Animal Welfare, Ethics and Strategy (OAWES), led by the Chief Veterinary Officer, that supports the humane and responsible care of animals, shares knowledge and advocates for the application of non-animal alternatives. The OAWES provides a framework of animal welfare governance, promotes application of 3Rs (replacement, refinement and reduction of animals in research), conducts quality assessments, manages a program of external animal diligence, and develops and deploys strategies on reproducibility and translatability.

The Chief Medical Officer oversees the following enterprise Medical Governance Boards:

- The Human Subject Research Board is in place to provide oversight for the human subject research sponsored and supported by us to ensure it conforms to ethical, medical and scientific standards
- The Data Disclosure Board provides oversight for disclosure of our sponsored and supported human subject research. We make information available on our clinical studies, including summaries of the results – whether positive or negative. We were the first company to publish clinical study reports that form the basis of submissions to regulatory agencies and we have publicly posted more than 2,500 clinical study reports in addition to more than 6,000 study result summaries
- Specific accountability and authorisation for scientific engagement is overseen by the Scientific Engagement and Promotional Practices Board. This Board is responsible for oversight of applicable policies and seeking to ensure the highest level of integrity and continuous development of scientific engagement

We have a Global Human Biological Samples Management (HBSM) governance framework in place to oversee the ethical and lawful acquisition and management of human biological samples. Our HBSM Enterprise Risk Management Team works to minimise the risks related to the acquisition, storage, use, transfer, and disposal of HBS.

It remains an important priority to enhance our data integrity controls. Data Integrity Committees are in place to provide oversight and Data Integrity Quality Assurance teams conduct assessments to provide independent business monitoring of our internal controls for R&D activities.

The Regulatory Governance Board serves as the global regulatory risk management and compliance board, promoting compliance with regulatory requirements and procedures, and oversees Group-wide written standards for cross business regulatory processes. A significant program is in progress to transform regulatory information management systems to replace and modernise information systems cross-enterprise.

We established an Access and Benefit Sharing Centre of Excellence to oversee applicable requirements and enforcement measures for the acquisition and use of genetic material of non-human origin in scope of the Nagoya Protocol.

R&D maintains and controls pre-publication procedures to guard against public disclosure in advance of filing patent applications. In addition, because loss of patent protection can occur due to lack of data integrity in preparing patent application data and information, legal experts collaborate with R&D to support the review process for new patent applications.

The Research practices risk is overseen by an Enterprise framework that seeks to ensure strengthened governance across the R&D businesses in Pharmaceuticals, Vaccines and Consumer Healthcare.

Under the leadership of the Research Practices Enterprise Risk Owner, management of the risk takes a pragmatic approach to information sharing, streamlining risk identification and escalation, while ensuring ownership stays with the business.

Third party oversight (TPO)

Risk definition

There is a risk that our third parties fail to meet their contractual, regulatory or ethical obligations resulting in significant operational, reputational, legal and financial risk for GSK (and in some cases our employees directly).

Put simply, there is a risk that third parties fail to deliver the goods and services we expect or fail to deliver them in a legal and compliant way.

Risk impact

Failure to adequately manage third party relationships could result in business disruption and exposure to risks ranging from sub-optimal contractual terms and conditions, to severe business and legal sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

Third parties are critical to our business delivery and are an integral part of the solution to meeting our business objectives. We rely on third parties, including suppliers, advisors, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and for supporting other important business processes.

These business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business activities. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties across a diverse geographical spread.

Mitigating activities

To guide and enforce our global principles for interactions with third parties we have a global policy framework applicable to buying goods and services, managing our external spend, paying and working with our third parties. This policy framework applies to all employees and complementary workers worldwide.

The enterprise-wide TPO programme takes an enterprise-wide view of third party related risks to ensure compliance with our ABAC policies and additional risks such as Labour Rights, Health and safety and Human safety information. It forms a comprehensive and practical approach to third party oversight that is flexible to the evolving nature of our business and the type of engagement being managed. The programme is designed and governed through the Global Ethics and Compliance organisation and has been globally deployed. The operational service assisting the business in completion of assessments transitioned to Global Procurement in early 2019 to bring it closer to other core procurement processes. TPO has strengthened risk assessment, contractual terms and due diligence efforts on third parties and improved the overall management of our third party risks through the lifecycle of the third party engagement.

We have a dedicated TPO team responsible for the implementation and evolution of the programme in response to developments in the internal and external environment. Programme governance is provided through Enterprise Risk Management overseen by the ABAC and TPO Governance Board which includes representation from key functional areas and the business. This joint board was created in 2019 to ensure strategic focus across the two principle risk areas as they have considerable co-dependency. An example of this is the new ABAC Conflict of Interest tool which better protects GSK when working with third parties. Global Ethics and Compliance are working with the Global Procurement, Legal and Tech organisations to plan further simplifications in order to maintain oversight and reduce complexity for the business.

Each business leadership team retains ultimate accountability for managing third party interactions and risks. When working with third parties, our employees are expected to manage external interactions and commitments responsibly. This expectation is embedded in our values and Code of Conduct. It is our responsibility that all activities carried out on our behalf are performed safely and in compliance with applicable laws and our values, expectations, standards and Code of Conduct (See ABAC report above).

Our programme is complemented with independent oversight and assurance undertaken by the Audit & Assurance and Independent Business Monitoring teams. We review the TPO programme against other large multinational companies and use external expertise and internal insights to drive improvements in the programme.

Environment, health and safety & sustainability (EHS&S)

Risk definition

Failure in management of:

- execution of hazardous activities;
- GSK's physical assets and infrastructure;
- handling and processing of hazardous chemicals and biological agents;
- control of releases of substances harmful to the environment in both the short and long term; leading to incidents which could disrupt our R&D and Supply activities, harm employees, harm the communities we operate in and harm the environment and its longer-term sustainability.

Risk impact

Failure to manage EHS&S risks could lead to significant harm to people, the environment and communities in which we operate, fines, failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation, which could materially and adversely affect our financial results.

Context

GSK is subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment, and the communities in which we operate, as well as potential obligations to remediate contaminated sites. Overall, our control framework for managing EHS&S risk is effective and our frequency of serious events is similar to peers and lower than for high hazard industries e.g. petrochemicals.

Mitigating activities

The Corporate Executive Team (CET) is responsible for EHS&S governance and risk oversight and ensures there is an effective control framework in place and in use to manage the risks, impacts and legal compliance issues that relate to EHS&S across each of our businesses. This includes assigning responsibility to senior managers for providing and maintaining those controls and ensuring that tiered monitoring and governance processes are in place within their businesses. Individual managers seek to ensure that the EHS&S control framework is effective and well implemented in their respective business area and that it is fully compliant with all applicable laws and regulations, adequately resourced, maintained, communicated, and monitored. Additionally, each employee is personally responsible for ensuring that all applicable local standard operating procedures are followed by them and expected to take responsibility for EHS&S matters.

Our risk-based, proactive approach is articulated in our Global EHS&S policy and detailed in our global EHS&S standards against which we audit all our operations to ensure compliance. We ensure hazards are appropriately controlled through safe design of facilities, plant and equipment and by following rigorous procedures that help us provide effective barriers to protect employees' health and well-being.

Control of antibiotic emissions from manufacturing effluents, is an increasing concern for a number of stakeholders (forming part of their wider concern around AMR – antimicrobial resistance). To address this, we are ensuring that all our own manufacturing facilities and those of our suppliers are following good operational practice and meeting emission limits as defined by the AMR Alliance Manufacturing Framework.

During the year we made an assessment of our business resilience to climate change against the Task Force on Climate-related Financial Disclosures (TCFD) framework guidelines. We did not identify any fundamental risks to our overall business.

Information security

Risk definition

The risk that unauthorised disclosure, theft, unavailability or corruption of GSK's information or key information systems may lead to harm to our patients, workforce and customers, disruption to our business and/or loss of commercial or strategic advantage, damage to our reputation or regulatory sanction.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage and could materially affect our ongoing business operations, such as scientific research, clinical trials and manufacturing and supply chain activities.

Further, inadequately applying controls that would be expected of GSK may result in regulatory fines or present a reputational risk to the organisation.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, intellectual property, manufacturing systems and trade secrets. There is the potential that our computer systems or information may be exposed to misuse or unauthorised disclosure.

GSK operates a highly 'connected' information network that exposes our confidential research and development, manufacturing, commercial, workforce and financial data to the risk of external attacks. GSK's Digital and Data Analytics Strategy also substantially increases the businesses dependency on digital assets and distributed data, while increasing the number of assets potentially impacted by a cyberattack. As threats evolve, we cannot provide broad assurances that the significant efforts we deliver in the protection and monitoring of our systems and information will always be successful in preventing compromise or disruption. Cybersecurity losses increasingly involve highly-resourced and organised threat actors such as nation-states and online criminal collectives targeting GSK's large and complex information technology (IT) and operational technology (OT) footprint, as well as the systems of our supply chain partners (including outsourced operations). This means that our systems and information have been and will continue to be the target of cyberattacks. Additionally, extensive use of third parties to store and process our data increases GSK's reliance on suppliers to operate effectively. This dependence increases the complexity around security controls and practices. It also reduces GSK's ability to monitor controls and effectively investigate and respond to incidents involving GSK information or systems. While GSK stands at the ready to address cybersecurity incidents and risks as they occur, in the past year GSK has not experienced a material cybersecurity incident that would have resulted in substantial harm to GSK (e.g., injury to reputation, financial performance, and customer and vendor relationships).

Mitigating activities

We have a global information security policy and accompanying information technology standards and processes that are supported through a dedicated team and programme of activity. The GSK Technology, Security, and Risk function provides strategy, direction, and oversight, including active monitoring of cybersecurity, while enhancing our global information security capabilities, through an ongoing programme of investment. The following mitigation activities represent the significant investments we have made in the past year and will continue to improve in the coming year:

- Engaging external expertise and next generation tools to fully map and inventory IT and OT environment to enable high confidence of a real time snapshot of all connected devices within the network and improve our patching timeframe on some systems from months to weeks/days.
- A site technology refresh plan has been approved and underway for the GSK's most substantial sites.
- A significant upgrade of tools is funded and progressing focused on key control areas.
- GSK's core information technology organisation, information security organisation, and business units are working together to validate critical apps and data stores to ensure we have adequate backup and restore capabilities.
- A new unified security standard has been approved across all sites and an operational technology security office has been established under the CISO. Tooling in IT is being extended with each deployment in the OT programme.
- Deployment of new tools and a prioritised deployment plan for identity and access management is fully resourced and is moving at speed addressing financial and manufacturing systems as priorities for 2019 and will continue for the balance of systems over the coming years.
- A plan for the enhancement of third-party practices to automate the visibility of security of critical vendors has been established and is in process.
- A team dedicated solely to securing our systems and data during our expansion in growth markets (e.g. China) has been formed and is being overseen by the CISO.

Supply continuity

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to respond effectively to a crisis incident in a timely manner to recover and sustain critical operations.

Risk impact

We recognise that failure to supply our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action and financial penalties that could adversely affect the Group's financial results. The Group's international operations, and those of its partners, expose our workforce, facilities, operations and information technology to potential disruption from natural events (e.g. storm, earthquake), man-made events (e.g. trading barriers imposed at short notice, civil/political unrest, terrorism), and global emergencies (e.g. coronavirus outbreak, Ebola outbreak, flu pandemic). It is important that we have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively provide our license to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

We rely on materials and services provided by third party suppliers to make our products, including active pharmaceutical ingredients, antigens, intermediates, commodities, and components for the development, manufacture and packaging of Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third-party services procured, such as services provided by contract manufacturing and clinical research organisations to support development of key products, are important to ensure continuous operation of our business.

Although we undertake risk mitigation, we recognise that certain events could nevertheless still result in delays or service interruptions. We use effective crisis management and business continuity planning to provide for the health and safety of our people and to minimise impact to us, by maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Mitigating activities

The supply chain model adopted in Pharmaceuticals, Vaccines and Consumer Healthcare business units is designed to ensure the supply, quality and security of our products globally, as far as possible.

Supply Chain Governance Committees within each business unit are used to closely monitor the inventory status and delivery of our products, with the aim of ensuring that customers have the products they need. Improved links between commercial forecasting and manufacturing made possible by our core commercial cycle should, over time, reduce the risk associated with demand fluctuations and any impact on our ability to supply or the cost of write-offs where products exceed their expiry date. Each node of the supply chain is also periodically reviewed to ensure adequate safety stock, while balancing working capital in our end-to-end supply chain. Particular attention is placed on mitigating supply risks associated with medically critical and high-revenue products.

We routinely monitor the compliance of manufacturing external suppliers and service providers to identify and manage risks in our supply base. Where practical, we minimise our dependence on single sources of supply for critical items. Where alternative sourcing arrangements are not possible for certain materials, our inventory strategy aims to limit the impact and ultimately protect the supply chain from unanticipated disruption.

We continue to implement anti-counterfeit systems such as product serialisation in accordance with new and emerging supply chain requirements around the world such as the EU Falsified Medicines Regulation.

A corporate policy requires each business and functional area head to ensure effective crisis management and business continuity plans are in place that include authorised response and recovery strategies, key areas of responsibility and clear communication routes, before any business disruption occurs. Corporate Security supports the business by: coordinating crisis management and business continuity training; facilitating simulation exercises; assessing our preparedness and recovery capability; and providing assurance oversight of our central repository of plans supporting our critical business processes.

Each business unit performs risk oversight through their respective Risk Management and Compliance Board (RMCB) to assure adequate risk mitigation including identifying new and emerging threats. For example, we have taken a coordinated approach to evaluate and manage the implications for our business arising from Brexit.

These activities help ensure an appropriate level of readiness and response capability is maintained. We also develop and maintain partnerships with external bodies like the Business Continuity Institute and the UN International Strategy for Disaster Risk Reduction, which helps improve our business continuity initiatives in disaster-prone areas and supports the development of community resilience to disasters.

Shareholder information

Share capital and control

Details of our issued share capital and the number of shares held in Treasury as at 31 December 2019 can be found in Note 36 to the financial statements, 'Share capital and share premium account'.

Our Ordinary Shares are listed on the London Stock Exchange and are also quoted on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADS). Each ADS represents two Ordinary Shares. For details of listed debt and where it is listed refer to Note 29 to the financial statements, 'Net debt'.

Holders of Ordinary Shares and ADS are entitled to receive dividends (when declared), the company's Annual Report, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer, or limitations on the holding, of Ordinary Shares and ADS and no requirements to obtain approval prior to any transfers. No Ordinary Shares or ADS carry any special rights with regard to control of the company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through the Group's employee share plans rank equally with the other shares in issue and have no special rights. The trustees of our Employee Share Ownership Plan trusts have waived their rights to dividends on shares held by those trusts.

Exchange controls and other limitations affecting security holders

Other than certain economic sanctions, which may be in force from time to time, there are currently no applicable laws, decrees or regulations in force in the UK restricting the import or export of capital or restricting the remittance of dividends or other payments to holders of the company's shares who are non-residents of the UK. Similarly, other than certain economic sanctions which may be in force from time to time, there are no limitations relating only to non-residents of the UK under English law or the company's Articles of Association on the right to be a holder of, and to vote in respect of, the company's shares.

Interests in voting rights

Other than as stated below, as far as we are aware, there are no persons with significant direct or indirect holdings in the company. Information provided to the company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the company's website, www.gsk.com.

The company has received notifications in accordance with DTR 5 of the following notifiable interests in the voting rights in the company's issued share capital:

	31 December 2019		24 February 2020	
	No. of voting rights[1]	Percentage of total voting rights[2]	No. of voting rights	Percentage of total voting rights[2]
BlackRock, Inc	332,238,289	6.40%	332,238,289	6.40%

[1] Comprising an indirect interest in 329,124,508 ordinary Shares and a holding of 3,113,781 Qualifying Financial Instruments (CFD).
[2] Percentage of total voting rights at the date of notification to the company.

The company has not acquired or disposed of any interests in its own shares during the period under review, with the exception of those transferred from Treasury to satisfy awards under the Group's employee share plans.

Share buy-back programme

The Board has been authorised to issue and allot Ordinary Shares under Article 9 of the company's Articles of Association. The power under Article 9 and the authority for the company to make purchases of its own shares are subject to shareholder authorities which are sought on an annual basis at our Annual General Meeting (AGM). Any shares purchased by the company may be cancelled or held as Treasury shares or used for satisfying share options and grants under the Group's employee share plans.

Our programme covers purchases of shares for cancellation or to be held as Treasury shares, in accordance with the authority renewed by shareholders at the AGM in May 2019, when the company was authorised to purchase a maximum of just under 497 million shares. Details of shares purchased, those cancelled, those held as Treasury shares and those subsequently transferred from Treasury to satisfy awards under the Group's employee share plans are disclosed in Note 36 to the financial statements, 'Share capital and share premium account'.

In determining specific share repurchase levels, the company considers the development of free cash flow during the year. No shares have been purchased since 2014.

The company confirms that it does not currently intend to make any market purchases in 2020. The company will review the potential for future share buy-backs in line with its usual annual cycle and subject to return and ratings criteria.

Shareholder information continued

Share capital and control continued

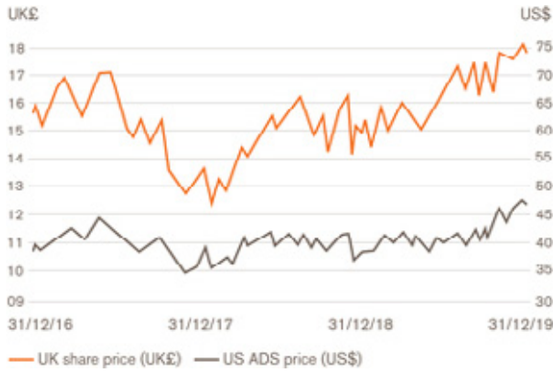
Market capitalisation

The market capitalisation, based on shares in issue excluding Treasury shares, of GSK at 31 December 2019 was £88.76 billion. At that date, GSK was the 5th largest company by market capitalisation in the FTSE index.

Share price

	2019 £	2018 £	2017 £
At 1 January	**14.91**	**13.23**	15.62
At 31 December	**17.79**	**14.91**	13.23
Increase/(decrease)	**19.3%**	**12.7%**	(15.3)%
High during the year	**18.19**	**16.22**	17.22
Low during the year	**14.36**	**12.43**	12.76

The table above sets out the middle market closing prices. The company's share price increased by 19.3% in 2019. This compares with an increase in the FTSE 100 index of 12.1% during the year. The middle market closing share price on 24 February 2020 was £16.30.



Nature of trading market

The following tables set out, for the periods indicated, the high and low middle market closing prices in pence for the company's shares on the London Stock Exchange, and the high and low closing prices in US dollars for the company's ADS on the NYSE.

	Ordinary Shares		ADS	
	Pence per share		US dollars per share	
	High	Low	High	Low
February 2020*	1815	1630	47.12	41.92
January 2020	1846	1762	47.89	46.21
December 2019	1819	1707	47.32	44.65
November 2019	1762	1697	45.48	43.85
October 2019	1782	1636	45.80	41.19
September 2019	1745	1627	42.68	40.60
Quarter ended 31 December 2019	1819	1636	47.32	41.19
Quarter ended 30 September 2019	1745	1590	42.68	39.68
Quarter ended 30 June 2019	1607	1502	41.88	38.64
Quarter ended 31 March 2019	1597	1436	41.87	37.83
Quarter ended 31 December 2018	1622	1418	41.87	37.07
Quarter ended 30 September 2018	1619	1484	41.87	38.99
Quarter ended 30 June 2018	1580	1378	41.94	38.85
Quarter ended 31 March 2018	1397	1243	35.49	39.38
Year ended 31 December 2018	1622	1243	41.94	35.49
Year ended 31 December 2017	1722	1276	44.37	34.66
Year ended 31 December 2016	1723	1345	45.49	37.39
Year ended 31 December 2015	1642	1238	48.81	37.56
Year ended 31 December 2014	1691	1324	56.66	41.30
Year ended 31 December 2013	1782	1359	53.68	43.93

* to 24 February 2020

Analysis of shareholdings at 31 December 2019

	Number of accounts	% of total accounts	% of total shares	Number of shares
Holding of shares				
Up to 1,000	75,192	71.08	0.48	25,897,162
1,001 to 5,000	23,822	22.52	0.95	51,217,693
5,001 to 100,000	5,552	5.25	1.56	84,013,513
100,001 to 1,000,000	850	0.80	5.43	292,068,276
Over 1,000,000	367	0.35	91.58	4,929,905,587
	105,783	100.00	100.00	5,383,102,231
Held by				
Nominee companies	4,647	4.39	62.38	3,358,213,237
Investment and trust companies	23	0.02	0.02	976,209
Insurance companies	3	0.00	0.00	768
Individuals and other corporate bodies	101,107	95.58	13.07	703,834,191
Guaranty Nominees Limited	2	0.00	17.21	926,571,876
Held as Treasury shares by GlaxoSmithKline	1	0.00	7.31	393,505,950

Effective 29 July 2019, J.P. Morgan Chase Bank, N.A. was appointed as successor Depositary for the company's American Depository Receipt (ADR) programme. The company's ADS are listed on the NYSE. Ordinary Shares representing the company's ADR programme, which is managed by the Depositary, are registered in the name of Guaranty Nominees Limited. At 24 February 2020, Guaranty Nominees Limited held 949,040,388 Ordinary Shares representing 18.92% of the issued share capital (excluding Treasury shares) at that date.

At 24 February 2020, the number of holders of Ordinary Shares in the US was 951 with holdings of 955,215 Ordinary Shares, and the number of registered holders of ADS was 20,032 with holdings of 474,520,194 ADS. Certain of these Ordinary Shares and ADS were held by brokers or other nominees. As a result, the number of holders of record or registered holders in the US is not representative of the number of beneficial holders or of the residence of beneficial holders.

Dividends

The company pays dividends quarterly and continues to return cash to shareholders through its dividend policy. Dividends remain an essential component of total shareholder return and GSK recognises the importance of dividends to shareholders. The company aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.

Dividends per share

The table below sets out the dividend per share and per ADS for the last five years. The dividend per ADS is translated into US dollars at applicable exchange rates.

Year	Dividend	pence	US$
2019		80	–[1]
2018		80	2.08
2017		80	2.16
2016		80	2.00
2015	Special*	20	0.57
2015		80	2.37

1 The Q4 2019 ordinary dividend receivable by ADS holders will be calculated based on the exchange rate on 9 April 2020. An annual fee of $0.03 per ADS (or $0.0075 per ADS per quarter) will be charged by the Depository. The cumulative dividend receivable by ADS holders for Q1, Q2 and Q3 2019 was $1.44.

* The 2015 special dividend related to the return of part of the net cash proceeds from the Novartis transaction completed in March 2015. This was paid with the fourth quarter ordinary dividend for 2015.

The Board intends to maintain the dividend for 2020 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25-1.50x, before returning the dividend to growth. Details of the dividends declared, the amounts and the payment dates are given in Note 16 to the financial statements, 'Dividends'.

2020 Dividend calendar

Quarter	Ex-dividend date	Record date	Payment date
Q4 2019	20 February 2020	21 February 2020	9 April 2020
Q1 2020	14 May 2020	15 May 2020	9 July 2020
Q2 2020	13 August 2020	14 August 2020	8 October 2020
Q3 2020	12 November 2020	13 November 2020	14 January 2021
Q4 2020	18 February 2021	19 February 2021	8 April 2021

Financial calendar 2020

Event	Date
Quarter 1 Results announcement	April 2020
Annual General Meeting	May 2020
Quarter 2 Results announcement	July 2020
Quarter 3 Results announcement	October 2020
Preliminary/Quarter 4 Results announcement	February 2021
Annual Report publication	February/March 2021
Annual Report distribution	March 2021

Information about the company, including the share and ADS price, is available on our website at www.gsk.com. Information made available on the website does not constitute part of this Annual Report.

Results announcements

Results announcements are issued to the London Stock Exchange and are available on its news service. They are also sent to the US Securities and Exchange Commission and the NYSE, issued to the media and made available on our website.

Financial reports

The company publishes an Annual Report which is made available on our website from the date of publication. Shareholders may elect to receive notification by email of the publication of Annual Reports by registering on www.shareview.co.uk, and may also elect to receive a printed copy of the Annual Report by contacting our registrar, Equiniti Limited.

Copies of previous Annual Reports are available on our website. Printed copies can also be obtained from our registrar (see page 294 for the contact details).

Annual General Meeting 2020

Our Annual General Meeting (AGM) will be held at 2.30pm (UK time) on Wednesday, 6 May 2020 at Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD.

The AGM is the company's principal forum for communication with private shareholders. In addition to the formal business, there will be a presentation by the CEO on the performance of the Group and its future development. There will be an opportunity for questions to be asked of the Board. Chairs of the Board's Committees and the Workforce Engagement Director will take questions relating to their roles.

Investors holding shares through a nominee service should arrange with that nominee service to be appointed as a proxy in respect of their shareholding in order to attend and vote at the meeting.

ADS holders wishing to attend the meeting should contact the Depositary, J.P. Morgan Chase Bank N.A., to request a proxy appointment (see page 295 for the contact details). This will enable them to attend and vote on the business to be transacted. ADS holders are reminded that if they do not instruct the Depositary as to the way in which the shares represented by their ADS should be voted by completing and returning the voting card provided by the Depositary, their shares will not be voted.

Documents on display

The Articles of Association of the company and Directors' service contracts or, where applicable, letters of appointment between Directors and the company or any of its subsidiaries (and any side letters relating to severance terms and pension arrangements) are available for inspection at the company's registered office and will be made available for inspection at the AGM.

Tax information for shareholders

A summary of certain UK tax and US federal income tax consequences for holders of shares and ADS who are citizens of the UK or the US is set out below. It is not a complete analysis of all the possible tax consequences of the purchase, ownership or sale of these securities. It is intended only as a general guide. Holders are advised to consult their advisers with respect to the tax consequences of the purchase, ownership or sale of their shares or ADS and the consequences under state and local tax laws in the US and the implications of the current UK/US tax conventions.

US holders of ADS generally will be treated as the owners of the underlying shares for the purposes of the current US/UK double taxation conventions relating to income and gains (Income Tax Convention), estate and gift taxes (Estate and Gift Tax Convention), and for the purposes of the Internal Revenue Code of 1986, as amended.

UK shareholders

This summary only applies to a UK resident shareholder that holds shares as capital assets.

Taxation of dividends

For the UK years from 2019/20 UK resident individuals are entitled to a dividend tax allowance of up to £2,000, so that the first £2,000 of dividends received in a tax year will be free of tax. Dividends in excess of this allowance will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

UK resident shareholders that are corporation taxpayers should note that dividends payable on ordinary shares are generally entitled to exemption from corporation tax.

Taxation of capital gains

UK resident shareholders may be liable for UK tax on gains on the disposal of shares or ADS.

For disposals by individuals in the 2019/20 UK tax year, a taxable capital gain accruing on a disposal of shares or ADS will be taxed at 10% for basic rate taxpayers, or 20% if, after all allowable deductions, the individual's taxable income for the year exceeds the basic rate income tax limit. Note this is following the use of any exemptions available to the individual taxpayer such as the annual exempt amount.

Corporation taxpayers may be entitled to an indexation allowance which applies to reduce capital gains to the extent that such gains arise due to inflation. Indexation allowance may reduce a chargeable gain but will not create an allowable loss. For assets acquired on or before 1 January 2018, legislation in the Finance Act 2018 freezes the level of indexation allowance that is given in calculating a company's chargeable gains at the value that would apply to the disposal of an asset in December 2017. For assets acquired from 1 January 2018 onwards, legislation in the Finance Act 2018 removes any indexation allowance on disposal.

Inheritance tax

Individual (UK-domiciled or otherwise) shareholders may be liable to UK inheritance tax on the transfer of shares or ADS. Tax may be charged on the amount by which the value of the shareholder's estate is reduced as a result of any transfer by way of lifetime gift or other disposal at less than full market value. In the case of a bequest on death, tax may be charged on the value of the shares at the date of the shareholder's death. If such a gift or other disposal were subject to both UK inheritance tax and US estate or gift tax, the Estate and Gift Tax Convention would generally provide for tax paid in the US to be credited against tax payable in the UK.

Stamp duty and stamp duty reserve tax

UK stamp duty and/or stamp duty reserve tax (SDRT) will, subject to certain exemptions, be payable on the transfer of shares at a rate of 0.5% (rounded up to the nearest £5 in the case of stamp duty) of the consideration for the transfer. Notwithstanding this, provided that an instrument is executed in pursuance of the agreement that gave rise to the charge to SDRT and that instrument is stamped within six years of the agreement (including being stamped as exempt) any SDRT charge should be cancelled and any SDRT which has already been paid will be repaid.

US shareholders

This summary only applies to a shareholder (who is a citizen or resident of the US or a domestic corporation or a person that is otherwise subject to US federal income tax on a net income basis in respect of the shares or ADS) that holds shares or ADS as capital assets, is not resident in the UK for UK tax purposes and does not hold shares for the purposes of a trade, profession or vocation that is carried on in the UK through a branch or agency.

The summary also does not address the tax treatment of holders that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons that hold shares or ADS as part of an integrated investment (including a 'straddle') comprised of a share or ADS and one or more other positions, and persons that own (directly or indirectly) 10% or more of the company's stock (by vote or value), nor does it address tax treatment that may be applicable as a result of international income tax treaties.

Shareholder information continued

Tax information for shareholders continued

Taxation of dividends

The gross amount of dividends received is treated as foreign source dividend income for US tax purposes. It is not eligible for the dividend received deduction allowed to US corporations. Dividends on ADS are payable in US dollars; dividends on Ordinary Shares are payable in Sterling. Dividends paid in Sterling will be included in income in the US dollar amount calculated by reference to the exchange rate on the day the dividends are received by the holder. Subject to certain exceptions for short-term or hedged positions, an individual eligible US holder will be subject to US taxation at a maximum federal rate of 23.8% plus applicable state and local tax in respect of qualified dividends. A qualified dividend as defined by the US Internal Revenue Service (IRS) is a dividend that meets the following criteria:

1. Must be issued by a US corporation, a corporation incorporated in a US possession, or a corporation that is eligible for the benefits of a comprehensive income tax treaty deemed satisfactory, as published by the IRS.
2. The dividends are not listed with the IRS as dividends that do not qualify.
3. The required dividend holding period has been met. The shares must have been owned by you for more than 60 days of the 'holding period' – which is defined as the 121-day period that begins 60 days before the ex-dividend date, or the day in which the stock trades without the dividend priced in. For example, if a stock's ex-dividend date is 1 October, the shares must be held for more than 60 days in the period between 2 August and 30 November of that year in order to count as a qualified dividend.

Dividends that are not qualified are subject to taxation at the US federal graduated tax rates, at a maximum rate of 40.8%. Some types of dividends are automatically excluded from being qualified dividends, even if they meet the other requirements. These include (but are not limited to):

1. Capital gains distributions
2. Dividends on bank deposits
3. Dividends held by a corporation in an Employee Stock Ownership Plan (ESOP)
4. Dividends paid by tax-exempt corporations

US state and local tax rates on qualified and non-qualified dividends may vary and would be assessed in addition to the federal tax rates communicated above.

Taxation of capital gains

Generally, US holders will not be subject to UK capital gains tax, but will be subject to US tax on capital gains realised on the sale or other disposal of shares or ADS. Such gains will be long-term capital gains (subject to reduced rates of taxation for individual holders) if the shares or ADS were held for more than one year, from the date the shares were vested/released. Short-term capital gains can be subject to taxation of rates of up to 40.8%, whereas long-term capital gains may be subject to rates of up to 23.8%. State and local tax rates on capital gains may also apply.

Information reporting and backup withholding

Dividends and payments of the proceeds on a sale of shares or ADS, paid within the US or through certain US-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the US holder is a corporation or other exempt recipient or provides a taxpayer identification number and certifies that no loss of exemption has occurred. Non-US holders generally are not subject to information reporting or backup withholding, but may be required to provide a certification of their non-US status in connection with payments received. Any amounts withheld will be allowed as a refund or credit against a holder's US federal income tax liability provided the required information is furnished to the IRS.

Estate and gift taxes

Under the Estate and Gift Tax Convention, a US shareholder is not generally subject to UK inheritance tax. However, a US capital shareholder may be subject to US Estate and Gift Tax.

Stamp duty

UK stamp duty and/or SDRT will, subject to certain exemptions, be payable on any transfer of shares to the ADS custodian or depository at a rate of 1.5% of the amount of any consideration provided (if transferred on sale), or their value (if transferred for no consideration).

However, no stamp duty or SDRT should be payable on the transfer of, or agreement to transfer, an ADS.

Other statutory disclosures

Shareholder services and contacts

Registrar

The company's registrar is:
Equiniti Limited
Aspect House, Spencer Road, Lancing, BN99 6DA
www.shareview.co.uk
Tel: 0371 384 2991 (in the UK)*
Tel: +44 (0)121 415 7067 (outside the UK)

Equiniti provides a range of services for shareholders:

Service	What it offers	How to participate
Dividend Reinvestment Plan (DRIP)	As an alternative to receiving cash dividends you may choose to reinvest your dividends to buy more GSK shares.	A DRIP election form can be downloaded from www.shareview.co.uk or requested by contacting Equiniti.
Dividend payment direct to your bank account (Bank Mandate)	From April 2020, GSK will cease paying dividends via cheque. All dividends will be paid directly into your bank or building society account. To receive your cash dividends, you must provide Equiniti with your bank or building society account details. This is quicker, more secure and avoids the risk of cheques going astray.	A dividend bank mandate form can be downloaded from www.shareview.co.uk or requested by contacting Equiniti.
Dividend payment direct to bank account for overseas shareholders	From April 2020, GSK will cease paying dividends via cheque. Instead, Equiniti can convert your dividend into your local currency and send it direct to your local bank account. This service is available in over 100 countries worldwide.	For more details on this service and the costs involved please contact Equiniti.
Electronic communications	Shareholders may elect to receive electronic notifications of company communications including our Annual Report, dividend payments, dividend confirmations and the availability of online voting for all general meetings. Each time GSK mails out hard copy shareholder documents you will receive an email containing a link to the document or relevant website.	Please register at www.shareview.co.uk
Shareview portfolio service	This enables you to create a free online portfolio to view your share balance and movements, update your address and dividend payment instructions and register your votes for our general meetings.	Please register at www.shareview.co.uk
De-duplication of publications or mailings	If you receive duplicate copies of mailings, you may have more than one account. Please contact Equiniti and they will arrange for your accounts to be merged into one for your convenience and to avoid waste and unnecessary costs.	Please contact Equiniti.
Share dealing service† (please note that market trading hours are from 8.00am to 4.30pm UK time, Monday to Friday (excluding public holidays in England and Wales))	Shareholders may trade shares, either held in certificated form or held in our Corporate Sponsored Nominee, online, by telephone or via postal dealing service provided by Equiniti Financial Services Limited.	For online transactions, please log on to: www.shareview.co.uk/dealing. For telephone transactions, please call: 0345 603 7037 (in the UK) or +44 (0)121 415 7560 (outside the UK). For postal transactions, please call: 0371 384 2991* to request a dealing form.
Corporate Sponsored Nominee Account	This is a convenient way to manage your shares without requiring a share certificate. The service provides a facility for you to hold your shares in a nominee account sponsored by the company. You will continue to receive dividend payments, Annual Reports and can attend and vote at the company's general meetings. Shareholders' names do not appear on the publicly available share register and the service is free to join.	An application form can be requested from www.shareview.co.uk or by contacting Equiniti.
Individual Savings Accounts (ISAs)†	The company has arranged for Equiniti Financial Services Limited to provide a GSK Corporate ISA to hold GSK shares.	Details are available from www.shareview.co.uk or can be requested by telephoning Equiniti, on 0345 300 0430. Lines are open 8.00am to 4.30pm for dealing, and until 6.00pm for enquiries Monday to Friday (excluding public holidays in England and Wales).

* Llines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

† The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Other statutory disclosures continued

Shareholders services and contacts continued

ADS Depositary

The ADR programme is administered by J.P. Morgan Chase Bank, N.A:

Regular Correspondence:
EQ Shareowner Services
P.O. Box 64504
St. Paul, MN 55164-0504

Delivery of Stock Certificates and Overnight Mail:
EQ Shareowner Services
110 Centre Point Curve, Suite 101
Medota Heights, MN 55120-4100

www.shareowneronline.com
General: +1 800 990 1135
From outside the U.S: +1 651 453 2128

The Depository also provides Global Invest Direct, a direct ADS purchase/sale and dividend reinvestment plan for ADS holders. For details on how to enrol please visit www.adr.com or call the above helpline number to obtain an enrolment pack.

Glaxo Wellcome and SmithKline Beecham Corporate PEPs

The Share Centre Limited
Oxford House, Oxford Road, Aylesbury, Bucks HP21 8SZ
Tel: +44 (0)1296 414 141
www.share.com

Donating shares to Save the Children

In 2013, GSK embarked on an ambitious global partnership with Save the Children to share our expertise and resources with the aim of helping to save the lives of one million children.

Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to Save the Children. Donated shares will be aggregated and sold by Save the Children who will use the funds raised to help them reach the above goal.†

To obtain a share donation form, please contact our registrar, Equiniti, which is managing the donation and sale of UK shares to Save the Children free of charge.

† The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Contacts

Investor relations

Investor relations may be contacted as follows:

UK

980 Great West Road
Brentford, Middlesex, TW8 9GS
Tel: +44 (0)20 8047 5000

US

5 Crescent Drive
Philadelphia PA 19112
Tel: +1 888 825 5249 (US toll free)
Tel: +1 215 751 4611 (outside the US)

GSK Response Center

Tel: +1 888 825 5249 (US toll free)

Share scam alert

If you receive an unsolicited telephone call offering to sell or buy your shares, please take extra care. The caller may be part of a highly organised financial scam.

If you are a UK shareholder, please contact the Financial Conduct Authority at www.fca.org.uk/consumers or on its consumer helpline:

Tel: 0800 111 6768 (in the UK)*
Tel: +44 (0)20 7066 1000 (outside the UK)

* Lines are open from 8.00am to 6.00pm, UK time, Monday to Friday, except UK public holidays, and 9.00am to 1.00pm on Saturdays.

US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the NYSE in the form of ADS.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the US, provided that we explain any significant variations. This explanation is contained in our Form 20-F, which can be accessed from the Securities and Exchange Commission's (SEC) EDGAR database or via our website. NYSE rules require us to file annual and interim written affirmations concerning our Audit & Risk Committee (ARC) and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the US, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide-ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the SEC, the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the ARC. It is chaired by the Company Secretary and its members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend the Disclosure Committee's meetings periodically. The Committee has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the Annual Report and Form 20-F. In 2019, the Committee met 18 times.

Sarbanes-Oxley requires that the annual report on Form 20-F contains a statement as to whether a member of the ARC is an audit committee financial expert, as defined in rules under Sarbanes-Oxley. Such a statement for the relevant member of the ARC (Judy Lewent) is included in the ARC report on page 96 and in her biography on page 81. Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley requires for the CEO and the CFO to complete formal certifications, confirming that:

- they have each reviewed the annual report on Form 20-F
- based on their knowledge, the annual report on Form 20-F contains no material misstatements or omissions
- based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the annual report on Form 20-F
- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the annual report on Form 20-F
- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles
- they have disclosed in the annual report on Form 20-F any changes in internal controls over financial reporting during the period covered by the annual report on Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting, and they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditor and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company's ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company's internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2019.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Other statutory disclosures continued

US law and regulation continued

The CEO and CFO expect to complete these certifications and report their conclusions on the effectiveness of disclosure controls and procedures in March 2020, following which the certifications will be filed with the SEC as part of our Group's Form 20-F.

Section 404: Management's annual report on internal control over financial reporting

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934, as amended (the Exchange Act)):

- management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS
- management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework, Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO)
- there have been no changes in the Group's internal control over financial reporting during 2019 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting
- management has assessed the effectiveness of internal control over financial reporting as at 31 December 2019 and its conclusion will be filed as part of the Group's Form 20-F, and
- Deloitte LLP, which has audited the consolidated financial statements of the Group for the year ended 31 December 2019, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard 2201 of the Public Company Accounting Oversight Board (United States). Their audit report will be filed with the Group's Form 20-F.

Section 13(r) of the Exchange Act

Section 13(r) of the Exchange Act requires issuers to make specific disclosure in their annual reports of certain types of dealings with Iran, including transactions or dealings with government-owned entities, as well as dealings with entities sanctioned for activities related to terrorism or proliferation of weapons of mass destruction, even when those activities are not prohibited by US law and do not involve US persons.

The Group exports certain pharmaceutical, vaccine and consumer products to Iran, via sales by non-US entities that are not subsidiaries of a US entity, to two privately held Iranian distributors.

The Group does not regularly receive information regarding the identity of its distributors' downstream customers and intermediaries in Iran, and it is possible that these parties include entities, such as government-owned hospitals and pharmacies, that are owned directly or indirectly by the Iranian government or by persons or entities sanctioned in connection with terrorism or proliferation activities. The Group understands that a sub-distributor to which the Group's privately held distributor in Iran previously sold Group medicines may be an entity whose property is blocked pursuant to Executive Order 13224 as a consequence of its indirect ownership structure. Upon learning of the sub-distributor's potential ownership structure, the Group required its distributor in Iran to terminate the relevant sub-distributor.

Because the Group does not regularly receive information regarding the identity of its distributors' downstream customers it cannot establish the proportion of gross revenue or sales potentially attributable to entities affiliated with the Iranian government or parties sanctioned for disclosable activities. As a result, the Group is reporting the entire gross revenues (£3.2 million) and net loss (£0.16 million) from the Group's sales to Iran in 2019.

The Group is also aware that some hospitals or other medical facilities in Lebanon may be affiliated with or controlled by Hezbollah or other groups that are designated by the United States pursuant to Executive Order 13224. Again, the Group does not deal directly with such hospitals or facilities and sells through distributors. The Group is unable to establish the proportion of gross revenue or sales potentially attributable to reportable activities. As a result, the Group is reporting the entire gross revenues (£47.8 million) and net profits (£20.9 million) from the Group's sales to Lebanon in 2019.

Unless noted, the Group intends to continue the activities described above.

In addition to Section 13(r) of the Exchange Act, US law generally restricts dealings by US persons and dealings that otherwise are subject to US jurisdiction with certain countries or territories that are subject to comprehensive sanctions, currently Crimea, Cuba, Iran, North Korea, and Syria, as well as with the Government of Venezuela (though not with the country of Venezuela as a whole). The Group does business, via non-US entities (which are not owned or controlled by US entities), in certain such jurisdictions. While we believe the Group complies with all applicable US sanctions in all material respects, such laws are complex and continue to evolve rapidly.

Donations to political organisations and political expenditure

To ensure a consistent approach to political contributions across the Group, in 2009 a global policy was introduced to voluntarily stop all corporate political contributions.

In the period from 1 January 2009 to 31 December 2019, the Group did not make any political donations to EU or non-EU organisations.

Notwithstanding the introduction of this policy, in accordance with the Federal Election Campaign Act in the US, we continue to support an employee-operated Political Action Committee (PAC) that facilitates voluntary political donations by eligible GSK employees.

The PAC is not controlled by GSK. Decisions on the amounts and recipients of contributions are made by participating employees exercising their legal right to pool their resources and make political contributions, which are subject to strict limitations. In 2019, a total of US$ 265,185 (2018 – US$ 345,190) was donated to political organisations by the GSK employee PAC.

English law requires prior shareholder approval for political contributions to EU political parties and independent election candidates as well as for any EU political expenditure. The definitions of political donations, political expenditure, and political organisations used in the legislation are, however, quite broad. In particular, the definition of EU political organisations may extend to bodies such as those concerned with policy review, law reform, the representation of the business community and special interest groups such as those concerned with the environment, which the company and its subsidiaries might wish to support.

As a result, the definitions may cover legitimate business activities not in the ordinary sense considered to be political donations or political expenditure, nor are they designed to support any political party or independent election candidate.

Therefore, notwithstanding our policy, and while we do not intend to make donations to any EU political parties or organisations, nor to incur any EU political expenditure, we annually seek shareholder authorisation for any inadvertent expenditure.

The authority is a precautionary measure to ensure that the company and its subsidiaries do not inadvertently breach the legislation.

This authorisation process, for expenditure of up to £100,000 each year, dates back to the AGM held in May 2001, following the introduction of the Political Parties, Elections and Referendums Act 2000. The authority has since been renewed annually.

Other statutory disclosures continued

Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates, joint ventures and joint arrangements, the address of the registered office and effective percentage of equity owned, as at 31 December 2019 are disclosed below. Unless otherwise stated the share capital disclosed comprises Ordinary shares which are indirectly held by GlaxoSmithKline plc. The percentage held by class of share is stated where this is less than 100%. Unless otherwise stated, all subsidiary companies have their registered office and are tax resident in their country of incorporation.

Name	Security	Registered address
Wholly owned subsidiaries		
1506369 Alberta ULC	Common	3500 855-2nd Street SW, Calgary, AB, T2P 4J8, Canada
Action Potential Venture Capital Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Adechsa GmbH (ii)	Ordinary	c/o PRV Provides Treuhandgesellschaft AG, Dorfstrasse 38, Baar, 6341, Switzerland
Affymax Research Institute	Common	Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California, 95833, United States
Alenfarma – Especialidades Farmaceuticas, Limitada (ii)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Allen & Hanburys Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Allen & Hanburys Pharmaceutical Nigeria Limited	Ordinary	24 Abimbola Way, Ilasamaja, Isolo, Lagos, Nigeria
Allen Farmaceutica, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Allen Pharmazeutika Gesellschaft m.b.H.	Ordinary	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
Barrier Therapeutics, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Beecham Group p.l.c	20p Shares 'A'; 5p Shares 'B'	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Beecham Pharmaceuticals (Pte) Limited	Ordinary	38 Quality Road, Jurong Industrial Estate, Jurong, 618809, Singapore
Beecham Portuguesa-Produtos Farmaceuticos e Quimicos, Lda	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Beecham S.A. (ii)	Ordinary	Parc de la Noire Epine, rue Fleming 20, 1300 Wavre, Belgium
Biovesta Ilaçlari Ltd. Sti. (ii)	Nominative	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
Burroughs Wellcome & Co (Bangladesh) Limited	Ordinary	Sweden Tower, 1, Harinnachala, Konabari, Gazipur, Bangladesh
Cascan GmbH & Co. KG	Partnership Capital	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Castleton Investment Ltd (iv)	Ordinary	c/o DTOS, 19 Cybercity, 10th Floor Standard Chartered Tower, Ebene, Mauritius
Cellzome GmbH	Ordinary	Meyerhofstrasse 1, Heidelberg, 69117, Germany
Cellzome Therapeutics, Inc. (ii)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Cellzome, Inc.	Common; Series A Preferred; Series B Preferred; Series C-1 Convertible Preferred; Series C-3 Convertible Preferred	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Charles Midgley Limited (ii)	Ordinary; 7% Cumulative Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Clarges Pharmaceuticals Trustees Limited (ii) (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Colleen Corporation	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Corixa Corporation	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Coulter Pharmaceutical, Inc. (ii)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Dealcyber Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Desarrollo Energia Solar Alternativa S.L.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Duncan Flockhart Australia Pty Limited (ii) (iv)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Etex Farmaceutica Ltda	Social Capital	Avenue Andres Bello 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
Fipar (Thailand) Ltd (in liquidation)	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
Genelabs Technologies, Inc.	Common	Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California, CA, 95833, United States
Glaxo Group Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Kabushiki Kaisha (ii)	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
Glaxo Laboratories (Nigeria) Limited (ii)	Ordinary	82 Marine Road, Apapa, Lagos, Nigeria
Glaxo Laboratories Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
Glaxo New Zealand Pension Plan Trustee Limited	Ordinary	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
Glaxo Operations UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Properties BV	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
Glaxo Trustees Limited (ii) (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Verwaltungs GmbH	Ordinary	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Glaxo Wellcome Australia Pty Ltd (ii) (iv)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Glaxo Wellcome Farmaceutica, Limitada	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Glaxo Wellcome International B.V. (ii) (iii)	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
Glaxo Wellcome Manufacturing Pte Ltd	Ordinary	1 Pioneer Sector 1, Jurong Industrial Estate, Jurong, 628413, Singapore
Glaxo Wellcome Production S.A.S.	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Glaxo Wellcome Vidhyasom Limited (ii)	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
Glaxo Wellcome, S.A.	Ordinary	Poligono Industrial Allendeduero, Avenida de Extremadura, 3, Aranda de Duero, Burgos, 09400, Spain
Glaxo, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Glaxo-Allenburys (Nigeria) Limited (ii)	Ordinary	41 Creek Road, Apapa, Lagos, PMB 1401, Nigeria
Glaxochem Pte Ltd (iii)	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline – Produtos Farmaceuticos, Limitada	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
GlaxoSmithKline (Cambodia) Co., Ltd. (in liquidation)	Ordinary	5th Floor DKSH Building, No. 797 Preah Monivong Boulevard (Corner of Street 484), Sangkat Phsar Deum Thakov, Khan Chamkarmon, Phnom Penh, Cambodia
GlaxoSmithKline (China) Investment Co Ltd	Ordinary	Room 901-910, Building A, Ocean International Center, 56 Mid 4th East Ring Road, Bejing, Chaoyang District, China
GlaxoSmithKline (China) R&D Company Limited	Equity	F1-3, No. 18 building, 999 Huanke Road, Pilot Free Trade Zone, Shanghai, 201210, China
GlaxoSmithKline (Cyprus) Limited	Ordinary	Arch. Makariou III, 2-4, Capital Center, 9th Floor, Nicosia, P.C. 1505, Cyprus
GlaxoSmithKline (GSK) S.R.L.	Ordinary	1-5 Costache Negri Street, Opera Center One, 5th and 6th floors, Zone 1, District 5, Bucharest, Romania
GlaxoSmithKline (Ireland) Limited (vii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
GlaxoSmithKline (Israel) Ltd	Ordinary	25 Basel Street, PO Box 10283, Petach-Tikva, 49002, Israel
GlaxoSmithKline (Malta) Limited	Ordinary	1, First Floor, De La Cruz Avenue, Qormi, QRM2458, Malta
GlaxoSmithKline (Private) Limited (ii)	Ordinary	Unit 3, 20 Anthony Road, Msasa, Harare, Zimbabwe
GlaxoSmithKline (Thailand) Limited	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
GlaxoSmithKline A.E.B.E.	Ordinary	266 Kifissias Avenue, Halandri, Athens, 152 32, Greece
GlaxoSmithKline AB	Ordinary	Hemvarnsg. 9, Solna, 171 54, Sweden
GlaxoSmithKline AG	Ordinary	Talstrasse 3-5, 3053 Muenchenbuchsee, Switzerland
GlaxoSmithKline Angola Unipessoal Limitada (iv)	Quotas	Luanda, Bairro Petrangol, Estrada de Cacuaco n° 288, Angola
GlaxoSmithKline Argentina S.A.	Ordinary	Tucumán 1, piso 4, Buenos Aires, C1049AAA, Argentina
GlaxoSmithKline AS	Ordinary	Drammensveien 288, 0283 Oslo, Norway
GlaxoSmithKline Asia Pvt. Limited	Equity	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Australia Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline B.V.	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Beteiligungs GmbH	Ordinary	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Biologicals (Shanghai) Ltd.	Ordinary	No. 277 Niudun Road, China (Shanghai) Pilot Free Trade Zone
GlaxoSmithKline Biologicals Kft.	Ordinary	2100 Gödöllő, Homoki Nagy István utca 1, Hungary
GlaxoSmithKline Biologicals S.A.S.	Ordinary	637 Rue des Aulnois, Saint-Amand Les Eaux, 59230, France
GlaxoSmithKline Biologicals SA	Ordinary; Preference	Rue de l'Institut 89, B-1330 Rixensart, Belgium
GlaxoSmithKline Brasil Limitada	Quotas	Estrada dos Bandeirantes, 8464, Rio de Janeiro, 22783-110, Brazil
GlaxoSmithKline Capital Inc.	Common	Wilmington Trust SP Services Inc., 1105 North Market Street, Suite 1300, Wilmington, Delaware, 19801, United States
GlaxoSmithKline Capital plc	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Caribbean Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Chile Farmaceutica Limitada	Social Capital	Avenue Andres Bello No. 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
GlaxoSmithKline Colombia S.A.	Ordinary	Avenida El Dorado, #69B-45/Piso 9, Bogota, Colombia
GlaxoSmithKline Consumer Healthcare Holdings Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Investments (Ireland) Limited (iii) (iv)	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline Consumer Healthcare Ireland IP Limited (iii) (iv)	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Consumer Holding B.V. (ii)	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline d.o.o	Quotas	Zmja od Bosne broj 7-7a, Sarajevo, 71000, Bosnia and Herzegovina
GlaxoSmithKline d.o.o.	Equity capital	Ulica Damira Tomljanovica Gavrana 15, Zagreb, Croatia
GlaxoSmithKline doo Beograd	Ordinary	Omladinskih brigada 88, New Belgrade, City of Belgrade, 11070, Serbia
GlaxoSmithKline Ecuador S.A.	Ordinary	Av 10 De Agosto N36-239, y Naciones Unidas, Edificio Electroectuatoriana, 2do piso, Quito, Ecuador
GlaxoSmithKline Eesti OU	Ordinary	Lõõtsa 8a, Tallinn, 11415, Estonia
GlaxoSmithKline El Salvador S.A. de C.V.	Ordinary	Avenida El Boqueron y Calle Izalco No 7 y 8 Parque Industrial El Boqueron, Santa Elen, Antiguo Custatlan, La Libertad, El Salvador
GlaxoSmithKline EOOD	Ordinary	115 G Tsarigradsko Shose Blvd., floor 9, Mladost Region, Sofia, 1784, Bulgaria
GlaxoSmithKline Export Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Export Panama S.A.	Ordinary	Panama City, Republic of Panama, Panama
GlaxoSmithKline Far East B.V.	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Finance plc	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline GmbH & Co. KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Guatemala S.A.	Ordinary	Novena Avenida 0-09, Zona 4, Guatemala City, Guatemala
GlaxoSmithKline Holding AS	Ordinary	Drammensveien 288, 0283 Oslo, Norway
GlaxoSmithKline Holdings (Americas) Inc.	Common	Wilmington Trust SP Services Inc., 1105 North Market Street, Suite 1300, Wilmington, Delaware, 19801, United States
GlaxoSmithKline Holdings (Ireland) Limited	Ordinary; Deferred	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Holdings (One) Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Holdings Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Holdings Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline Honduras S.A.	Ordinary	Tegucigalpa, MDC, Honduras
GlaxoSmithKline IHC Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S.	Nominative	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
GlaxoSmithKline Inc.	Class A Common; Class C Preference	7333 Mississauga Road North, Mississauga, ON, L5N 6L4, Canada
GlaxoSmithKline Insurance Ltd.	Ordinary	19 Par-La-Ville Road, Hamilton, HM11, Bermuda
GlaxoSmithKline Intellectual Property (No.2) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.3) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.4) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.5) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Development Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Holdings Limited	A Ordinary; B Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Limited	Ordinary; Deferred	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Management Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline International Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Investigación y Desarrollo, S.L.	Ordinary	Severo Ochoa 2 Parque Tecnológico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline Investments (Ireland) Limited (iii) (iv)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24 Ireland
GlaxoSmithKline Investments Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline K.K.	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GlaxoSmithKline Korea Limited	Ordinary	9F LS Yongsan Tower 92, Hangangdae-ro Yongsan-gu, Seoul, 04386, Republic of Korea
GlaxoSmithKline Latin America, S.A.	Ordinary	Panama City, Republic of Panama, Panama
GlaxoSmithKline Latvia SIA	Ordinary	Duntes iela 3, Riga, Latvia
GlaxoSmithKline Lietuva UAB	Ordinary	Ukmerges st. 120, Vilnius, LT-08105, Lithuania
GlaxoSmithKline Limited	Ordinary	23/F., Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong
GlaxoSmithKline LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Manufacturing SpA	Ordinary	Via Alessandro Fleming 2, Verona, 37135, Italy
GlaxoSmithKline Maroc S.A.	Ordinary	42-44 Angle Bd, Rachidi et Abou Hamed El Glaza, Casablanca, Morocco
GlaxoSmithKline Medical and Healthcare Products Limited	Ordinary	H-1124, Csorsz utca 43, Budapest, Hungary
GlaxoSmithKline Mercury Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Mexico S.A. de C.V.	Ordinary A; Ordinary B	Calzada, Mexico-Xochimilco 4900, Colonia San Lorenzo, Huipulco, Delegacion Tlalpan, 14370, Mexico

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline NZ Limited	Ordinary	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
GlaxoSmithKline Oy	Ordinary	Piispansilta 9A, P.O. Box 24, Espoo, FIN-02230, Finland
GlaxoSmithKline Peru S.A.	Ordinary	Av. Javier Prado Oeste, 995, San Isidro, Lima 27, Peru
GlaxoSmithKline Pharma A/S	Ordinary	Nykaer 68, Brondby, DK-2605, Denmark
GlaxoSmithKline Pharma GmbH	Ordinary	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
GlaxoSmithKline Pharmaceutical Kenya Limited	Ordinary	Likoni Road, PO Box 10643, 00100, Nairobi, Kenya
GlaxoSmithKline Pharmaceutical Nigeria Limited	Ordinary	1 Industrial Avenue, Ilupeju, Ikeja, Lagos, PM B 21218, Nigeria
GlaxoSmithKline Pharmaceutical Sdn Bhd	Ordinary	Level 6, Quill 9, 112, Jalan Prof. Khoo Kay Kim, 46300 Petaling Jaya, Selangor, Malaysia
GlaxoSmithKline Pharmaceuticals (Pvt) Ltd	Ordinary	121 Galle Road, Kaldemulla, Moratuwa, Sri Lanka
GlaxoSmithKline Pharmaceuticals Costa Rica S.A	Ordinary	300 metros al este de la Rotonda de la Betania, Mercedes de Montes de Oca, Sabanilla, Montes de Oca, San Jose, Costa Rica
GlaxoSmithKline Pharmaceuticals S.A.	Ordinary A; Ordinary B; Ordinary C; Ordinary D	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GlaxoSmithKline Pharmaceuticals SA	Ordinary	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
GlaxoSmithKline Pharmaceuticals Ukraine LLC	Chartered Capital	Pavla Tychyny avenue, 1-V, Kiev, 02152, Ukraine
GlaxoSmithKline Pte Ltd	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline Puerto Rico, Inc.	Common	The Prentice-Hall Corporation System, Puerto Rico, Inc., c/o Fast Solutions, LLC, 252 Ponce de Leon Avenue, Floor 20, San Juan, 00918, Puerto Rico
GlaxoSmithKline Republica Dominicana S.A.	Ordinary	Ave. Lope de Vega #29, Torre NovoCentro, Local 406, Santo Domingo, Dominican Republic
GlaxoSmithKline Research & Development Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline S.p.A.	Ordinary	Via Alessandro Fleming 2, Verona, 37135, Italy
GlaxoSmithKline s.r.o.	Ordinary	Hvezdova 1734/2c, Prague, 4 140 00, Czech Republic
GlaxoSmithKline Services GmbH & Co. KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Services Inc. (ii)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Services Unlimited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline SL Holdings, LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline SL LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline SL LP (ii) (ix)	Partnership	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Slovakia s.r.o.	Ordinary	Galvaniho 7/A, Bratislava, 821 04, Slovakia
GlaxoSmithKline South Africa (Pty) Limited	Ordinary	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline Trading	Ordinary	Leningradskiy Prospect 37A, Building 4, Floor 3, Premises XV, Room 1, Moscow, 125167, Russian Federation
GlaxoSmithKline Trading Services Limited (iii) (vii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
GlaxoSmithKline Tunisia S.A.R.L.	Ordinary	Immeuble Les Quatres R, Rue du Lac Lochness, Berges du Lac, Tunis, Tunisia
GlaxoSmithKline UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Uruguay S.A.	Registered shares provisory stock	Salto 1105, CP 11.200 Montevideo, Uruguay
GlaxoSmithKline US Trading Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Venezuela C.A.	Ordinary	Urbanizacion La Trinidad, Calle luis De Camoems, Edif No 115-117 Apatado Posta, Caracas, 1010, Venezuela
GlaxoSmithKline Vietnam Limited Liability Company (ii) (iv)	Equity capital	The Metropolitan, 235 Dong Khoi Street, District 1, 7th Floor Unit 701, Ho Chi Minh City, Viet Nam
GlycoVaxyn AG (iv)	Common; Preferred A; Preferred B; Preferred C	Grabenstrasse 3, 8952 Schlieren, Switzerland
Groupe GlaxoSmithKline S.A.S.	Ordinary	23 Rue françois Jacob, 92500, Rueil-Malmaison, France
GSK Australia NVD Pty Ltd (ii) (iv)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GSK Business Service Centre Sdn Bhd	Ordinary	Level 6, Quill 9, 112, Jalan Prof. Khoo Kay Kim, 46300 Petaling Jaya, Selangor, Malaysia
GSK Capital K.K.	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GSK CH Argentina S.A.	Nominative non endorseable ordinary shares	Tucumán 1, piso 4, Buenos Aires, C1049AAA, Argentina
GSK Commercial Sp. z o.o.	Ordinary	ul. Rzymowskiego 53, Warsaw, 02-697, Poland
GSK d.o.o., Ljubljana	Ordinary	Ameriška ulica 8,Ljubljana, 1000, Slovenia

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GSK Finance (No 2) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GSK Kazakhstan LLP	Participation/Participating Interest	273, Nursultan Nazarbayev ave., Almaty, Medeu District, 050059, Kazakhstan
GSK Limited (ii)	Ordinary	980, Great West Road, Brentford, Middlesex, TW8 9GS, England
GSK Pharmaceutical Trading SA (ii) (iv)	Ordinary	5 Poienelor Street, Brasov, Romania
GSK Services Sp z o.o.	Ordinary	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GSK Vaccines BV	Ordinary	Hullenbergweg 85, Amsterdam, 1101 CL, Netherlands
GSK Vaccines GmbH	Ordinary	Emil-von-Behring-Str.76, 35041 Marburg, Germany
GSK Vaccines Institute for Global Health S.r.l.	Quotas	Via Fiorentina 1, Siena, 53100, Italy
GSK Vaccines S.r.l.	Quotas	Via Fiorentina 1, Siena, 53100, Italy
GSK Vaccines Vertriebs GmbH (ii)	Ordinary	Rudolf-Diesel-Ring 27, Holzkirchen, 83607, Germany
HGS France S.a.r.l. (ii) (iv)	Ordinary	52-54, Rue de la Belle Feuille, Boulogne-Billancourt, 92100, France
Horlicks Limited	Ordinary; Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Human Genome Sciences, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ID Biomedical Corporation of Quebec	Common	2323, boul. Du Parc Technologique, Québec, G1P 4R8, Canada
Instituto Luso Farmaco, Limitada (ii)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
InterPharma Dienstleistungen GmbH	Quotas	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
J&J Technologies, LC (ii)	LLC Interests	Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond, VA 23219, United States
Laboratoire GlaxoSmithKline	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoire Pharmaceutique Algérien LPA Production SPA	Ordinary	Zone Industrielle Est, Boudouaou, Boumerdes, Algeria
Laboratoire Pharmaceutique Algérien SPA	Ordinary	Zone Industrielle Est, Boudouaou, Boumerdes, Algeria
Laboratoires Paucourt (ii)	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoires Saint-Germain (ii)	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratorios Dermatologicos Darier, S.A de C.V.	Ordinary A; Ordinary B	Calzada Mexico Xochimilco, 4900 San Lorenzo Huipulco, District Federal Mexico, 14370, Mexico
Laboratorios Farmaceuticos Stiefel (Portugal) LTDA (ii)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Laboratorios Stiefel de Venezuela SA	Ordinary	Calle Luis de Camoens, Edificio GlaxoSmithKline, No. 115-117, Urb. La Trinidad, Caracas, Venezuela
Laboratorios Stiefel Ltda.	Ordinary	Rua Professor Joao Cavalheiro Salem, no.1077, Bairro de Bonsucesso, Municipality of Guarulhos, Sao Paulo, CEP 07243-580, Brazil
Laboratorios Wellcome De Portugal Limitada (ii)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Montrose Pharma Company Limited (ii) (iv)	Ordinary Quota	H-1124, Csorsz utca 43, Budapest, Hungary
Okairos AG (in liquidation)	Common; Preferred A; Preferred B	c/o OBC Suisse AG, Aeschenvorstadt 71, 4051, Basel, Switzerland
Penn Labs Inc. (ii)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
S.R. One International B.V.	Ordinary	Huis ter Heideweg, 62 3705, LZ Zeist, Netherlands
S.R. One, Limited	Units (Common)	Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg, Pennsylvania, 17110, United States
Setfirst Limited	Ordinary; Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Sitari Pharma, Inc.	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, DE, 19808, United States
Smith Kline & French Portuguesa-Produtos Farmaceuticos, LDA (ii)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
SmithKline Beecham (Bangladesh) Private Limited (ii)	Ordinary	House 2A, Road 138, Gaishari-1, Dhaka 1212, Bangladesh
SmithKline Beecham (Cork) Limited (vii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
SmithKline Beecham (Manufacturing) Limited (vii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
SmithKline Beecham Biologicals US Partnership	Partnership Interest	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Egypt L.L.C.	Quotas	Amoun Street, El Salam City, Cairo, Egypt
SmithKline Beecham Farma, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
SmithKline Beecham Inter-American Corporation (ii)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
SmithKline Beecham Overseas Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pension Plan Trustee Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pension Trustees Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pharma GmbH & Co KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
SmithKline Beecham Pharma Verwaltungs GmbH	Ordinary	Prinzregentenplatz 9, Munchen, 81675, Germany
SmithKline Beecham Pharmaceuticals (Pty) Limited (ii) (iv)	Ordinary	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
SmithKline Beecham Pharmaceuticals Co.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Port Louis Limited (iv)	Ordinary	c/o CIM Corporate Services Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius
SmithKline Beecham Senior Executive Pension Plan Trustee Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Stiefel Distributors (Ireland) Limited (ii) (iv) (vii)	Ordinary	Finisklin Business Park, Sligo, Ireland
Stiefel Dominicana, S.R.L. (ii) (iv)	Ordinary	Ave. Lope de Vega #29, Torre NovoCentro, Local 406, Santo Domingo, Dominican Republic
Stiefel Farma, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Stiefel GmbH & Co. KG	Partnership Capital	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Stiefel India Private Limited	Equity	401-402, A, Wing, 4th Floor,Floral Deck Plaza, Opp Rolta Bhavan, Central MIDC Road, Mumbai, Andheri (E), 400093, India
Stiefel Laboratories Legacy (Ireland) Limited (vii)	Ordinary	Finisklin Business Park, Sligo, Ireland
Stiefel Laboratories Limited (ii)	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England
Stiefel Laboratories Pte Limited (ii)	Ordinary	103 Gul Circle, 629589, Singapore
Stiefel Laboratories, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Stiefel Maroc SARL (ii) (iv)	Ordinary	275 Boulevard Zerktouni, Casablanca, Morocco
Stiefel Research (Australia) Holdings Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Stiefel Research Australia Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Stiefel West Coast LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Strebor Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Tempero Pharmaceuticals, Inc.	Series A Preference; Series B Preference; Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Tesaro Bio Austria GmbH	Common	Fleischmarkt 1/6/12, Vienna, 1010, Austria
Tesaro Bio France SAS	Shares	235 avenue Le Jour Se Lève, Boulogne, 92100, France
Tesaro Bio Germany GmbH	Shares	Leopoldstr. 37A, Munich, 80802, Germany
Tesaro Bio GmbH	Ordinary	Poststrasse 6, 6300 Zug, Switzerland
Tesaro Bio Italy S.R.L	Shares	Via Vincenzo, Bellini 22 00198, Roma, Italy
Tesaro Bio Netherlands B.V (x)	Shares	Joop Geesinkweg 901, 1114 AB, Amsterdam-Duivendrecht, Netherlands
Tesaro Bio Spain S.L.U.	Shares/Participation Quota	Severo Ochoa, 2 Parque Tecnológico de Madrid, 28760, Tres Cantos, Madrid, Spain
Tesaro Bio Sweden AB	Common	c/o BDO Mälarden AB, Skatt Box 24193, Stockholm 10451, Sweden
Tesaro Development Limited	Shares	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
Tesaro Securities Corporation (iv)	Common	CT Corporation, 155 Federal St, Ste. 700, Boston, 02110, United States
Tesaro, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, DE, 19808, United States
The Sydney Ross Co. (ii)	Common	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
The Wellcome Foundation Investment Company Limited (ii) (iv)	Limited by guarantee	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
UCB Pharma Asia Pacific Sdn Bhd (ii)	Ordinary	12th Floor, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, Petaling Jaya, 46200, Malaysia
Wellcome Consumer Healthcare Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Consumer Products Limited (ii)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Developments Pty Ltd (ii) (iv)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Wellcome Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Operations Pty Ltd (ii) (iv)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia

Other statutory disclosures continued

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100%			
Alacer Corp.	Common	68	C T Corporation System, 818 West 7th Street, Los Angeles, California, 90017, United States
Amoun Pharmaceutical Industries Co. S.A.E.	New Monetary Shares (99.5%)	90.7	El Salam City 11491, PO Box 3001, Cairo, Egypt
Beecham Enterprises Inc. (ii)	Common	59.84	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Biddle Sawyer Limited	Equity	75	252 Dr Annie Besant Road, Mumbai, 400030, India
Block Drug Company, Inc.	Common	68	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
Block Drug Corporation (ii)	Common	68	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
British Pharma Group Limited (i)	Captial (50%)	50	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Consumer Healthcare Holdings Limited	Ordinary	68	Ramsgate Road, Sandwich, Kent, CT13 9NJ, England
Consumer Healthcare Intermediate Holdings Limited	Ordinary	68	Ramsgate Road, Sandwich, Kent, CT13 9NJ, England
Duncan Consumer Healthcare Philippines Inc	Common	68	2266 Don Chino Roces Avenue, Makati City, Philippines
Duncan Pharmaceuticals Philippines Inc.	Common	92.52	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
Ex-Lax, Inc.	Common	68	The Prentice Hall Corporation System, Puerto Rico, Inc., c/o Fast Solutions, LLC, Citi Tower, 252 Ponce de Leon Avenue, Floor 20, San Juan, 00918, Puerto Rico
Ferrosan ApS	A Shares; B Shares	68	Lautrupvang 8, 2750 Ballerup, Denmark
Ferrosan International ApS	Ordinary	68	Lautrupvang 8, 2750 Ballerup, Denmark
Ferrosan S.R.L.	Registered capital	68	178/C Calea Turzii, Cluj-Napoca, Cluj County, Romania
Galvani Bioelectronics Inc.	Common	55	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Galvani Bioelectronics Limited	A Ordinary; B Ordinary (0%)	55	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Saudi Arabia Limited	Ordinary	75	PO Box 22617, Area No 56 to 73, Warehouse City, First Stage Al Khomrah, Jeddah 21416, Saudi Arabia
Glaxo Wellcome Ceylon Limited	Ordinary; Ordinary B	67.8	121 Galle Road, Kaldemulla, Moratuwa, Sri Lanka
GlaxoSmithKline (Tianjin) Co. Ltd	Ordinary	90	No. 65, the Fifth Avenue, Tai Feng Industrial Park, Tianjin Economic and Technolog, Tianjin, 300457, China
GlaxoSmithKline Algérie S.P.A.	Ordinary	99.99	Zone Industrielle Est, Boudouaou, Wilaya de Boumerdes, Algeria
GlaxoSmithKline Bangladesh Limited (iv)	Ordinary (82%)	82	Fouzderhat Industrial Area, Dhaka Trunk Road, North Kattali, Chittagong - 4217, Bangladesh
GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda	Quotas	68	66 BL1/302, Vitor Civita Street, Barra Tijuca, Rio de Janeiro, 22775-044, Brazil
GlaxoSmithKline Consumer Healthcare (China) Co. Ltd	Ordinary	68	Floor 8, 168 Xizangzhong Road, Huangpu District, Shanghai, China
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	Ordinary	68	23/F., Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong
GlaxoSmithKline Consumer Healthcare (Ireland) Limited (vii)	Ordinary	68	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
GlaxoSmithKline Consumer Healthcare (Overseas) Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (Thailand) Limited	Ordinary	68	13th Floor, Unit 13.05 and 13.06 Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
GlaxoSmithKline Consumer Healthcare (UK) IP Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (UK) Trading Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (US) IP LLC	LLC Interests	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Healthcare A/S	Ordinary	68	Nykaer 68, Brondby, DK-2605, Denmark
GlaxoSmithKline Consumer Healthcare AB (v)	Ordinary	68	Nykaer 68, Brondby, DK-2605, Denmark
GlaxoSmithKline Consumer Healthcare Australia Pty ltd	Ordinary	68	82 Hughes Avenue, Ermington, NSW, 2115, Australia
GlaxoSmithKline Consumer Healthcare B.V.	Ordinary	68	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Consumer Healthcare Colombia SAS	Ordinary	68	Avenida El Dorado, #69B-45/Piso 9, Bogota, Colombia
GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o.	Ordinary	68	Hvezdova 1734/2c, Prague, 4 140 00, Czech Republic
GlaxoSmithKline Consumer Healthcare Finance Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Finance No.2 Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Finland Oy	Ordinary	68	Piispansilta 9A, Fin-02230, Espoo, Finland
GlaxoSmithKline Consumer Healthcare GmbH	Ordinary	68	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
GlaxoSmithKline Consumer Healthcare GmbH & Co. KG	Partnership Capital	68	Barthstr. 4, München, 80339, Germany

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
GlaxoSmithKline Consumer Healthcare Greece Societe Anonyme	Ordinary	68	274 Kifissias Avenue Halandri, Athens, 152 32, Greece
GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited	A; B(0%); Preference	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Holdings (US) LLC	LLC Interests	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Healthcare Inc.	Common	68	7333 Mississauga Road North, Mississagua, ON, L5N 6L4, Canada
GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 3) Limited (iii) (vii)	Ordinary	68	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No.2) Unlimited Company (iii) (vii)	Ordinary	68	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Consumer Healthcare Japan K.K.	Ordinary	68	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GlaxoSmithKline Consumer Healthcare Korea Co., Ltd.	Ordinary	68	9F LS Yongsan Tower, 92, Hangang-daero, Yongsan-gu, Seoul, 04386, Korea, Republic of
GlaxoSmithKline Consumer Healthcare L.L.C.	LLC Interests	68	Corporation Service Company, 2595 Interstate Drive Suite 103, Harrisburg, Pennsylvania, 17110, United States
GlaxoSmithKline Consumer Healthcare Limited (iv)	Ordinary	72.5	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Consumer Healthcare Mexico, S. De R.L. de C.V.	Ordinary	68	Calzada Mexico-Xochimilco 4900, Colonia San Lorenzo Huipulco, Delegacion Tlalpan, Mexico, D.F. 14370, Mexico
GlaxoSmithKline Consumer Healthcare New Zealand ULC	Ordinary	68	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
GlaxoSmithKline Consumer Healthcare Norway AS	Ordinary	68	Drammensveien 288, 1326 Lysaker, Norway
GlaxoSmithKline Consumer Healthcare Pakistan Limited	Ordinary (85.8%)	58.30%	The Sykes Building, 35 Dockyard Road, West Wharf, Karachi, 74000, Pakistan
GlaxoSmithKline Consumer Healthcare Philippines Inc	Common	68	2266 Don Chino Roces Avenue, Makati City, Philippines
GlaxoSmithKline Consumer Healthcare Pte. Ltd.	Ordinary	68	23 Rochester Park, 139234, Singapore
GlaxoSmithKline Consumer Healthcare S.A.	Ordinary	68	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
GlaxoSmithKline Consumer Healthcare S.A.	Ordinary	68	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline Consumer Healthcare S.p.A.	Ordinary	68	Via Zambeletti snc,Baranzate, Milan, 20021, Italy
GlaxoSmithKline Consumer Healthcare Saudi Limited	Ordinary	68	603 Salamah Tower 6th Floor, Madinah Road Al-Salamah District Jeddah 21425, Saudi Arabia
GlaxoSmithKline Consumer Healthcare Sdn. Bhd.	Ordinary	68	Lot 89, Jalan Enggang, Ampang/Ulu Kelang Industrial Estate, 6800 Ampang, Selangor, Darul Ehsan, Malaysia
GlaxoSmithKline Consumer Healthcare Slovakia s. r. o.	Ownership interest	68	Galvaniho 7/A, Bratislava, 821 04, Slovakia
GlaxoSmithKline Consumer Healthcare South Africa (Pty) Ltd	Ordinary	68	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline Consumer Healthcare Sp.z.o.o.	Ordinary	68	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GlaxoSmithKline Consumer Healthcare SRL	Ordinary	68	1-5 Costache Negri Street, Opera Center One, 6th floor (Zone 2), District 5, Bucharest, Romania
GlaxoSmithKline Consumer Healthcare Vietnam Company Limited (ii)	Charter Capital	68	Floor 16, Metropolitan, 235 Dong Khoi, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam
GlaxoSmithKline Consumer Healthcare, L.P.	Partnership Capital	59.84	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Healthcare, Produtos para a Saude e Higiene, Lda	Ordinary Quota	68	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
GlaxoSmithKline Consumer Nigeria plc (vi)	Ordinary (46.4%)	46.4	1 Industrial Avenue, Ilupeju, Ikeja, Lagos, PM B 21218, Nigeria
GlaxoSmithKline Consumer Private Limited	Equity	68	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Consumer Trading Services Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Costa Rica S.A.	Ordinary	68	300 metros al este de la Rotonda de la Betania, Mercedes de Montes de Oca, Sabanilla, Montes de Oca, San Jose, Costa Rica
GlaxoSmithKline Dungarvan Limited (vii)	Ordinary	68	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Healthcare AO	Ordinary	68	Premises III, Room 9, floor 6, Presnenskaya nab. 10, Moscow, 123112, Russian Federation
GlaxoSmithKline Healthcare GmbH	Ordinary	68	Barthstr. 4, München, 80339, Germany
GlaxoSmithKline Healthcare Ukraine O.O.O.	Ownership interest	68	Pavla Tychyny avenue, 1-V, Kiev, 02152, Ukraine
GlaxoSmithKline Limited	Ordinary	68	Likoni Road; PO Box 78392; Nairobi; Kenya
GlaxoSmithKline Pakistan Limited	Ordinary (82.6%)	82.6	The Sykes Building, 35 Dockyard Road, West Wharf, Karachi, 74000, Pakistan
GlaxoSmithKline Panama S.A.	Ordinary	68	Urbanizacion Industrial Juan D, Calles A Y B, Republic of Panama, Panama
GlaxoSmithKline Paraguay S.A.	Ordinary	68	Oficial Gilberto Aranda 333, Planta Alta casi Salvador del Mundo, Asuncion, Paraguay

Other statutory disclosures continued

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
GlaxoSmithKline Pharmaceuticals Limited	Equity (75%)	75	252 Dr Annie Besant Road, Mumbai, 400030, India
GlaxoSmithKline Philippines Inc	Common	92.52	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
GlaxoSmithKline S.A.E.	Ordinary (91.2%)	91.2	Boomerang Office Building – Land No. 46, Zone (J) – 1st District, Town Center – 5th Tagammoe, New Cairo City, Egypt
GlaxoSmithKline Sante Grand Public SAS	Ordinary	68	23 rue François Jacob, 92500, Rueil-Malmaison, France
GlaxoSmithKline Tuketici Sagligi Anonim Sirketi	Nominative	68	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
GlaxoSmithKline-Consumer Hungary Limited Liability Company	Membership	68	H-1124, Csorsz utca 43, Budapest, Hungary
GSK Canada Holding Company Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GSK CH Kazakhstan LLP	Charter Capital	68	32 A Manasa Str., Bostandyk District, Almaty, 050008, Kazakhstan
GSK Consumer Health, Inc.	Common	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, DE, 19808, United States
GSK Consumer Healthcare Holdings (US) Inc.	Common	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, DE, 19808, United States
GSK Consumer Healthcare Holdings No. 2 LLC (iii)	Unit	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, DE, 19808, United States
GSK Consumer Healthcare Israel Ltd (iv)	Ordinary	68	25 Basel Street, Petech Tikva 49510, Israel
GSK Consumer Healthcare Levice, s.r.o.	Ordinary	68	Priemyselny Park Gena, Ul. E. Sachsa 4-6, 934 01, Levice, Slovakia
GSK Consumer Healthcare S.A.	Ordinary	68	Route de l'Etraz, 1197 Prangins, Switzerland
GSK Consumer Healthcare Schweiz AG	Ordinary	68	Suurstoffi 14, Rotkreuz, 6343, Switzerland
GSK Consumer Healthcare Services, Inc.	Common	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GSK Consumer Healthcare Singapore Pte. Ltd.	Ordinary	68	23 Rochester Park, 139234, Singapore
GSK New Zealand Holding Company Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GSK-Gebro Consumer Healthcare GmbH	Ordinary (60%)	40.8	Bahnhofbichl 13, 6391 Fieberbrunn, Kitzbühel, Austria
Iodosan S.p.A.	Ordinary	68	Via Zambeletti snc, Baranzate, Milan, 20021, Italy
Kuhs GmbH	Ordinary	68	Barthstr. 4, München, 80339, Germany
Laboratorios ViiV Healthcare, S.L.	Ordinary	78.3	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Modern Pharma Trading Company L.L.C.	Quotas (98.2%)	98.2	Amoun Street, PO Box 3001, El Salam City, Cairo, 11491, Egypt
N.C.H. – Nutrition Consumer Health Ltd (ii)	Ordinary	68	14 Hamephalsim St, Petach Tikva, Israel
New PCH LLC	Membership Interest	68	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, United States
P.T. SmithKline Beecham Pharmaceuticals	A Shares; B Shares (0%)	99	Jl. Pulobuaran Raya, Kav. III DD/2,3,4, Kawasan Industri Pulogadung, Jakarta, 13930, Indonesia
P.T. Sterling Products Indonesia	A Shares; B Shares	68	Graha Paramita Building, 5th F, Jalan Denpasar Raya Blok D-2, Jakarta, 12940, Indonesia
Panadol GmbH	Ordinary	68	Barthstr. 4, München, 80339, Germany
PF Consumer FZ-LLC	Ordinary	68	3-6 Atlas Business Center, Dubai, United Arab Emirates
PF Consumer Healthcare 1 LLC	Membership Interest	68	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, United States
PF Consumer Healthcare B.V.	Class A; Class B	68	Rivium Westlaan 142, 2909LD Capelle aan den IJssel, Netherlands
PF Consumer Healthcare Brazil Importadora e Distribuidora de Medicamentos Ltda	Quota	68	Barueri, State of Sao Paolo, at Avenida Ceci, No. 1900, Block III, Park 67, Tambore District, 06460-120, Brazil
PF Consumer Healthcare Canada ULC / PF Soins De Sante SRI	Common	68	595 Burrad Street, Three Bentall Centre, P.O Box 49314, Suite 2600, Vancouver, British Columbia Canada V7X 1L3
PF Consumer Healthcare Holding B.V.	Ordinary	68	Rivium Westlaan 142, 2909LD Capelle aan den IJssel, Netherlands
PF Consumer Healthcare Mexico, S. de R.L. de C.V.	Quota	68	Paleo de los Tamarindos no. 40, Piso 3, Bosques de las Lomas, Cuajimalpa de Morelos, Mexico, 05120, Mexico
PF Consumer Healthcare New Zealand ULC	Ordinary	68	Level 11, 21 Queen Street, Auckland Central, Auckland, 1010, New Zealand
PF Consumer Healthcare Singapore Pte. Ltd	Ordinary	68	80 Pasir Panjang Road, #16-81/82, Mapletree Business Centre, 117372, Singapore
PF Consumer Healthcare UK Limited	Ordinary	68	Ramsgate Road, Sandwich, Kent, CT13 9NJ, England
PF Consumer Ireland Company Limited	Ordinary	68	9 Riverwalk, National Digital Park, Citywest Business Park, Dublin, 24, Ireland
PF Healthcare Australia Pty Ltd	Ordinary	68	82 Hughes Avenue, Emington, NSW 2115, Australia
Pfizer Consumer Healthcare AB	Ordinary	68	Vetenskapsvagen 10, SE-191 90, Sollentuna, Sweden
Pfizer Consumer Healthcare GmbH	Ordinary	68	Linkstrasse 10, 10785, Berlin, Germany
Pfizer Consumer Healthcare Italy S.r.l	Quota (no stock)	68	04100 Latina, Via Isonzo 71, Italy
Pfizer Consumer Manufacturing Italy S.r.l.	Quota (no stock)	68	90, Via Nettunese, 04011, Aprilia (Prov. di Latin), Italy

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
Pfizer Laboratories PFE (Pty) Ltd.	Common	68	Flushing Meadows Building, The Campus, 57 Sloane, Bryanston 2021, South Africa
Pfizer PFE Colombia SAS	Common	68	Avenida Suba No. 95-66, Bogota, Colombia
Pfizer Sante Familiale SAS	Ordinary	68	23-25 Avenue du Docteur Lannelongue, 75014 Paris, France
PHIVCO Jersey II Limited (ii) (iii) (iv) (vii)	Ordinary	78.3	IFC 5, St Helier, JE1 1ST, Jersey, United Kingdom
PHIVCO Jersey Limited (ii) (iii) (iv) (vii)	Ordinary	78.3	IFC 5, St Helier, JE1 1ST, Jersey, United Kingdom
PHIVCO UK II Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
PHIVCO UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
PHIVCO-1 LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
PHIVCO-2 LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
PRISM PCH Limited	Voting Shares; Non Voting Shares	68	Ramsgate Road, Sandwich, Kent, CT13 9NJ, England
PT Glaxo Wellcome Indonesia	A Shares; B Shares (0%)	95	Jl Pulobuaran Raya Kav III DD/2, 3, 4, Kawasan Industri Pulogadung, Timur, Jakarta, 13930, Indonesia
PT GSK Consumer Healthcare Indonesia	Ordinary	68	Graha Paramita Building, 5th F, Jalan Denpasar Raya Blok D-2, Kuningan, JAKARTA SELATAN, 12940, Indonesia
PT. Bina Dentalindo (in liquidation)	Ordinary	68	Gedung Graha Ganesha Lantai 3, Jl Raya Bekasi Km 17, No5, Jakarta Timur 13930, Indonesia
Shionogi-ViiV Healthcare LLC (ii)	Common Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Sino-American Tianjin Smith Kline & French Laboratories Ltd	Ordinary (55%)	55	Cheng Lin Zhuang Industrial Zone, Dong Li District, Tianjin, 300163, China
SmithKline Beecham (Private) Limited	Ordinary (99.6%)	67.8	World Trade Center, Level 34, West Tower, Echelon Square, Colombo 1, Sri Lanka
SmithKline Beecham Research Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham S.A.	Ordinary	68	Ctra de Ajalvir Km 2.500, Alcala de Henares, Madrid, 28806, Spain
SmithKline Beecham-Biomed O.O.O.	Participation Interest (97%)	97	Leningradskiy Prospect 37A, Building 4, Floor 2, Premises XIV, Room 2, Moscow, 125167, Russian Federation
Stafford-Miller (Ireland) Limited (vii)	Ordinary	68	Clocherane, Youghal Road, Dungarvan, Co. Waterford, Ireland
Sterling Drug (Malaya) Sdn Berhad	Ordinary	68	Lot 89, Jalan Enggang, Ampang/Hung Kelang Industrial Estate 68000 Ampang, Selangor, Darul Ehsan, Malaysia
Sterling Products International, Incorporated (ii)	Common	68	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Stiefel Consumer Healthcare (UK) Limited	Ordinary	68	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Stiefel Egypt LLC (ii)	Quota (99%)	99	Amoun Street, PO Box 3001, El Salam City, Cairo, 11491, Egypt
Stiefel Laboratories (Ireland) Limited (vii)	Ordinary	68	Finisklin Business Park, County Sligo, Ireland
Treerly Health Co., Ltd	Capital Contribution	68	Unit 01A, Room 3901, No 16. East Zhujiang Road, Tianhe District, Guangzhou City, the PRC, China
Vesteralens Naturprodukter AB	Ordinary	68	Uddevallavägen 3, SE-452 31, Strömstad, Sweden
Vesteralens Naturprodukter ApS	Ordinary	68	Lautrupvang 8, 2750 Ballerup, Denmark
Vesteralens Naturprodukter AS	Common	68	Drammensveien 288, 0283 Oslo, 1324 Lysaker, Norge, P.O Box No.3, Norway
Vesteralens Naturprodukter OY	Common	68	Tietokuja 4, FI-00330, Helsinki, Finland
ViiV Healthcare (South Africa) (Proprietary) Limited (ii) (iv)	Ordinary	78.3	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
ViiV HealthCare BV	Ordinary	78.3	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
ViiV Healthcare Company	Common	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ViiV Healthcare Finance 1 Limited (iv)	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Finance 2 Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Finance Limited	Ordinary; Redeemable Preference	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare GmbH	Ordinary	78.3	Prinzregentenplatz 9, Munchen, 81675, Germany
ViiV Healthcare GmbH	Ordinary	78.3	Talstrasse 3-5, 3053 Muenchenbuchsee, Switzerland
ViiV Healthcare Hong Kong Limited (ii)	Ordinary	78.3	23/F Tower 6, The Gateway, 9 Canton Road, Harbour City, Tsimshatsui, Kowloon, Hong Kong
ViiV Healthcare Kabushiki Kaisha	Ordinary	78.3	1-8-1 Akasaka Minato-Ku, Tokyo, Japan

Other statutory disclosures continued

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
ViiV Healthcare Limited	Class A Shares, Deferred; Class B Shares (0%); Class C Shares (0%); Class D1 (0%); Class D2 (0%); Class E 5% Cumulative Preference (0%)	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Pty Ltd	Ordinary	78.3	1061 Mountain Highway, Boronia, VIC, 3155, Australia
ViiV Healthcare Puerto Rico, LLC	LLC Interests	78.3	Centro International de Mercadeo, 90 carr. 165 Torre 2, Suite 800, Guaynabo, 00968, Puerto Rico
ViiV Healthcare S.r.l.	Quota	78.3	Via Alessandro Fleming 2, Verona, 37135, Italy
ViiV Healthcare SAS	Ordinary	78.3	23 rue François Jacob, 92500, Rueil-Malmaison, France
ViiV Healthcare sprl	Ordinary	78.3	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
ViiV Healthcare Trading LLC (ii)	Participation Interest	78.3	Leningradskiy Prospect 37A, Building 4, Floor 2, Premises XIV, Room 28, Moscow, 125167, Russian Federation
ViiV Healthcare Trading Services UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.2) Limited (ii) (iv)	Ordinary	78.3	IFC 5, St Helier, JE1 1ST, Jersey, United Kingdom
ViiV Healthcare UK (No.3) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.4) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.5) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.6) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare ULC	Common	78.3	3500 855-2nd Street SW, Calgary, AB, T2P 4J8, Canada
ViiV Healthcare Venture LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ViiVHIV Healthcare Unipessoal Lda	Quota	78.3	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Vog AU PTY LTD (ii)	Ordinary; Redeemable Preference	68	82 Hughes Avenue, Ermington, NSW, 2115, Australia
Winster Pharmaceuticals Limited (ii)	Ordinary	46.4	2A Association Avenue, Ilupeju Industrial Estate, Lagos, PO Box 3199, Nigeria
Wyeth Consumer Healthcare LLC	Membership Interest	68	CT Corporation System, 600 N 2nd St, Suite 401, Harrisburg, Pennsylvania, 17101, United States
Wyeth Pharmaceutical Co. Ltd	Registered capital	68	4 Baodai West Road, Suzhou, Jiangsu Province, 215128, China
Wyeth Pharmaceuticals Company (viii)	Capital Contribution	68	State Road No 3, Kilometer 141.3, Guayama, 00784, Puerto Rico
Associates			
Apollo Therapeutics LLP	Partnership Interest (25%)	25	Gunnels Wood Road, Stevenage SG1 2FX, England
GlaxoSmithKline Landholding Company, Inc.	Common (40%)	39.9	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
Index Ventures Life VI (Jersey) LP	Partnership Interest (25%)	25	44 Esplanade, St. Helier, JE4 9WG, Jersey
Innoviva, Inc.	Common (31.7%)	31.6	2000 Sierra Point Parkway, Suite 500, Brisbane, CA 94005, United States
Kurma Biofund II, FCPR	Partnership Interest (32%)	32	24 Rue Royale, 5e étage, 75008 Paris, France
Longwood Founders Fund LP	Partnership Interest (28%)	28	The Prudential Tower, 800 Boylston Street, Suite 1555, Boston, MA 02199, United States
Medicxi Ventures I LP	Partnership Interest (26.2%)	26.2	25 Great Pulteney Street, Soho, London W1F 9ND, England
Joint Ventures			
Chiron Panacea Vaccines Private Limited (ii)	Equity Shares (50%)	50	708/718, 7th Floor, A Wing, Sagar Tech Plaza, Saki Naka, Andheri East, Mumbai, Maharashtra, 400072, India
Qualivax Pte. Limited	Ordinary (50%)	50	80 Robinson Road, #02-00, 068898 Singapore
Quell Intellectual Property Corp., LLC	Membership Interest (34%)	34	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Qura Therapeutics, LLC	Units (39.2%)	39.2	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States

Group companies continued

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the period ended 31 December 2019. Unless otherwise stated, the undertakings listed below are owned, either directly or indirectly, by GlaxoSmithKline plc.

Name	Security	Registered address	Company Number
UK registered subsidiaries exempted from audit			
Burroughs Wellcome International Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00543757
Cellzome Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	05001893
Clarges Pharmaceuticals Limited	Ordinary; Preference (99.97%)	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00100583
Domantis Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	03907643
Edinburgh Pharmaceutical Industries Limited	Ordinary; Preference	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland	SC005534
Eskaylab Limited	10p Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00099025
Glaxochem (UK) Unlimited	Ordinary; Ordinary B; Ordinary C	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	04299472
GlaxoSmithKline Consumer Healthcare Sri Lanka Holdings Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	09400298
GlaxoSmithKline Consumer Healthcare (UK) (No.1) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00753340
GlaxoSmithKline Investment Holdings Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	07089743
GlaxoSmithKline Investment Services Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	06968741
Glaxo Wellcome UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00480080
Mixis Genetics Limited (iv)	Ordinary; Ordinary Euro	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	03225840
Montrose Fine Chemical Company Ltd	Ordinary	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland	SC190635
SmithKline Beecham (Export) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	02860752
SmithKline Beecham (H) Limited	Non-cumulative non-redeemables; Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	03296131
SmithKline Beecham (Investments) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00302065
SmithKline Beecham Marketing and Technical Services Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00494385
SmithKline Beecham Nominees Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00503868
SmithKline Beecham (SWG) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00190223
Smith Kline & French Laboratories Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00052207
Stafford-Miller Ltd	Ordinary; Non-Cumulative Non Redeemable Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00318499
Stiefel Laboratories (Maidenhead) Ltd (iv)	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England	05354860
Stiefel Laboratories (U.K.) Ltd	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England	00831160
Tesaro UK Limited	Ordinary	55 Baker Street, London, W1U 7EU, England	07890847
The Wellcome Foundation Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	00194814
ViiV Healthcare Overseas Limited	Ordinary*	980 Great West Road, Brentford, Middlesex, TW8 9GS, England	07027385

* The company has an effective ownership in ViiV Healthcare Overseas Limited of 78.3%

In accordance with section 479C of the Companies Act 2006, the Company will guarantee debts and liabilities of the above UK subsidiary undertakings. As at 31 December 2019 the total sum of these debts and liabilities is £16 million.

Key

(i) Directly owned by GlaxoSmithKline plc.
(ii) Dormant entity.
(iii) Tax resident in the UK.
(iv) Entity expected to be disposed of or removed.
(v) Incorporated in Sweden.
(vi) Consolidated as a subsidiary in accordance with section 1162 (4)(a) of the Companies Act 2006 on the grounds of dominant influence.
(vii) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in section 357 of that Act.
(viii) Principal business address in Puerto Rico.
(ix) Exempt from the provisions of Regulations 4-6 of the Partnership (Accounts) Regulation 2008, in accordance with the exemptions noted in Regulation 7 of that Regulation.
(x) The Company has provided an undertaking in accordance with Article 2:403 paragraph 1, sub-paragraph F of the Dutch Civil Code to asume joint and several liability for the acts of Tesaro Bio Netherlands B.V.

Glossary of terms

Terms used in the Annual Report	US equivalent or brief description
Accelerated capital allowances	Tax allowance in excess of depreciation arising from the purchase of fixed assets that delay the charging and payment of tax. The equivalent of tax depreciation.
American Depositary Receipt (ADR)	Receipt evidencing title to an ADS. Each GSK ADR represents two Ordinary Shares.
American Depositary Shares (ADS)	Listed on the New York Stock Exchange; represents two Ordinary Shares.
Basic earnings per share	Basic income per share.
Called up share capital	Ordinary Shares, issued and fully paid.
CER growth	Growth at constant exchange rates.
The company	GlaxoSmithKline plc.
Currency swap	An exchange of two currencies, coupled with a subsequent re-exchange of those currencies, at agreed exchange rates and dates.
Defined benefit plan	Pension plan with specific employee benefits, often called ‘final salary scheme’.
Defined contribution plan	Pension plan with specific contributions and a level of pension dependent upon the growth of the pension fund.
Derivative financial instrument	A financial instrument that derives its value from the price or rate of some underlying item.
Diluted earnings per share	Diluted income per share.
Employee Share Ownership Plan Trusts	Trusts established by the Group to satisfy share-based employee incentive plans.
Equity Shareholders’ funds	Shareholders’ equity.
Finance lease	Capital lease.
Freehold	Ownership with absolute rights in perpetuity.
The Group	GlaxoSmithKline plc and its subsidiary undertakings.
GSK	GlaxoSmithKline plc and its subsidiary undertakings.
Hedging	The reduction of risk, normally in relation to foreign currency or interest rate movements, by making off-setting commitments.
Intangible fixed assets	Assets without physical substance, such as computer software, brands, licences, patents, know-how and marketing rights purchased from outside parties.
Novartis transaction	The three-part inter-conditional transaction with Novartis AG involving the Consumer Healthcare, Vaccines and Oncology businesses completed on 2 March 2015.
Ordinary Share	A fully paid up ordinary share in the capital of the company.
Profit	Income.
Profit attributable to shareholders	Net income.
Share capital	Ordinary Shares, capital stock or common stock issued and fully paid.
Share option	Stock option.
Share premium account	Additional paid-up capital or paid-in surplus (not distributable).
Shares in issue	The number of shares outstanding.
Subsidiary	An entity in which GSK exercises control.
Treasury share	Treasury stock.
Turnover	Revenue.
UK Corporate Governance Code	As required by the UK Listing Authority, the company has disclosed in the Annual Report how it has applied the best practice corporate governance provisions of the Financial Reporting Council’s UK Corporate Governance Code.

Index

About GSK

GlaxoSmithKline plc was incorporated as an English public limited company on 6 December 1999. We were formed by a merger between Glaxo Wellcome plc and SmithKline Beecham plc. GSK acquired these two English companies on 27 December 2000 as part of the merger arrangements.

Our shares are listed on the London Stock Exchange and the New York Stock Exchange.

Read more at **www.gsk.com**

Brand names

Brand names appearing in italics throughout this report are trade marks either owned by and/or licensed to GSK or associated companies, with the exception of *Gardasil* owned by Merck Sharp & Dohme Corp, *Rituxan* owned by Biogen MA Inc. and *Zofran* owned by Novartis AG.

Acknowledgements

Printing
Pureprint Group, ISO 14001.
FSC certified and Carbon Neutral.

Paper
Printed on Innovation Premium, an FSC certified paper. The pulps used are Totally Chlorine Free and the manufacturing mill has ISO 14001 environmental management certification. The mill's energy is produced from 100% biomass fuels sourced from local forestry and no fossil fuels are used. The carbon emissions have been measured and offset using the World Land Trust's Carbon Balanced scheme.

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Annual Report 2019

Form 20-F

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, dividend payments and financial results. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation, the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and investors are cautioned not to place undue reliance on the forward-looking statements.

Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement.

Such factors include, but are not limited to, those discussed under 'Principal risks and uncertainties' on pages 275 to 287 of this Annual Report. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this Annual Report.

A number of non-IFRS measures are used to report the performance of our business. These measures are defined on pages 50 to 52 and a reconciliation of Adjusted results to Total results is set out on page 62.

The information in this document does not constitute an offer to sell or an invitation to buy shares in GlaxoSmithKline plc or an invitation or inducement to engage in any other investment activities. Past performance cannot be relied upon as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

Assumptions related to 2016-2020 outlook

In outlining the expectations for 2020 and the five-year period 2016-2020, the Group has made certain assumptions about the healthcare sector, the different markets in which the Group operates and the delivery of revenues and financial benefits from its current portfolio, pipeline and restructuring programmes.

For the Group specifically, over the period to 2020, GSK expects further declines in sales of *Seretide/Advair*. The introduction of a generic alternative to *Advair* in the US has been factored into the Group's assessment of its future performance. The Group assumes no premature loss of exclusivity for other key products over the period.

The assumptions for the Group's revenue, earnings and dividend expectations assume no material interruptions to supply of the Group's products, no material mergers, acquisitions or disposals, except for the acquisition of Tesaro, the proposed divestment of *Horlicks* and other Consumer Healthcare products to Unilever and the formation of a new Consumer Healthcare Joint Venture with Pfizer, all announced in December 2018, no material litigation or investigation costs for the Company (save for those that are already recognised or for which provisions have been made), no share repurchases by the Company, and no change in the Group's shareholdings in ViiV Healthcare. The assumptions also assume no material changes in the macro-economic and healthcare environment. The 2020 guidance and 2016-2020 outlook have factored in all divestments and product exits since 2015, including the divestment and exit of more than 130 non-core tail brands (£0.5 billion in annual sales) as announced on 26 July 2017 and the product divestments planned in connection with the formation of the Consumer Healthcare Joint Venture with Pfizer.

The Group's expectations assume successful delivery of the Group's integration and restructuring plans over the period 2016-2020, including the extension and enhancement to the combined programme announced on 26 July 2017, the new Major restructuring plan announced on 25 July 2018, the Consumer Healthcare Joint Venture integration programme and the new Separation Preparation programme. They also assume that the proposed divestment of *Horlicks* and other Consumer Healthcare products to Unilever closes in Q1 2020 and that the integration and investment programmes following the Tesaro acquisition and the Consumer Healthcare Joint Venture with Pfizer over this period are delivered successfully.

Material costs for investment in new product launches and R&D have been factored into the expectations given. Given the potential development options in the Group's pipeline, the outlook may be affected by additional data-driven R&D investment decisions. The expectations are given on a constant currency basis (2016-2020 outlook at 2015 CER).

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Directors' Report (for which see page 94), the Strategic report and the Remuneration report. Under English law the Directors would be liable to the company, but not to any third party, if one or more of these reports contained errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would otherwise not be liable. Pages 75 to 114, 152 to 153, and 275 to 310 inclusive comprise the Directors' Report, pages 1 to 74 inclusive comprise the Strategic report and pages 115 to 150 inclusive comprise the Remuneration report, each of which have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Website

GSK's website www.gsk.com gives additional information on the Group. Notwithstanding the references we make in this Annual Report to GSK's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.

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