



## **Explanatory Notes**

### **Ordinary Business**

Each resolution will be proposed as an ordinary resolution. This means that for each of the resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

### **Resolution 1 - To receive and adopt the Directors' Report and the Financial Statements for 2007**

For each financial year, the Directors must present the Directors' Report, the audited Financial Statements and the independent auditors' report to shareholders at a General Meeting.

### **Resolution 2 - To approve the 2007 Remuneration Report**

In accordance with the Directors' Remuneration Report Regulations 2002, shareholders are invited to vote on the Remuneration Report, which may be found on pages 72 to 86 of the 2007 Annual Report or a summary of which can be found on pages 22 to 24 of the 2007 Annual Review.

### **Resolutions 3 - 8 - Election and Re-election of Directors**

The company's Articles of Association require any Director newly appointed by the Board to retire at the first Meeting after appointment. You are therefore asked to elect as Directors, Mr Andrew Witty (CEO designate) and Mr Christopher Viehbacher (President, US Pharmaceuticals), who were each appointed to the Board since last year's Meeting. The appointments of Messrs Witty and Viehbacher will increase the overall number of executive directors on the Board, and will ensure it remains strongly aligned to the company's strategy and operational performance. The Board considers that Messrs Witty and Viehbacher each bring significant experience of the company's operations, as well as valuable knowledge of the pharmaceutical industry in general.

You are also asked to elect as a Director, Professor Sir Roy Anderson, who was also appointed to the Board since last year's Meeting. The Board considers that Sir Roy brings a wealth of scientific and other experience to the Board. In addition to fulfilling the usual responsibilities of a Non- Executive Director, Sir Roy will spend time within the company's research and development organisation and, with his experience, will provide the Board with valuable insights to scientific developments at GSK.

The Articles of Association also require one-third of the current Directors to retire at each AGM. All of the Directors are eligible to seek reelection by shareholders at the Meeting, if they so wish. Dr Garnier, Sir Christopher, Sir Ian and Dr Schmitz are all retiring by rotation. Dr Garnier is not seeking re-election and will retire from the Board at the conclusion of the AGM. Sir Christopher was elected to the Board in 2005. Sir Ian was elected to the Board in 2001 and last sought re-election in 2005. Dr Schmitz was elected to the Board of Glaxo Wellcome plc in 1997 and last sought re-election in 2007.

Sir Christopher, Sir Ian and Dr Schmitz each offer themselves for reelection at the AGM. The Chairman is satisfied that each of Sir Ian and Dr Schmitz continue to perform effectively and demonstrate commitment to their role including commitment of time for Board and committee meetings and their other duties.

Led by the Senior Independent Director, the Non-Executive Directors met without the Chairman present to consider the Chairman's performance. The Senior Independent Director and the other Non-Executive Directors are satisfied that the Chairman continues to perform effectively and demonstrates

commitment to his role, including commitment of time for Board and committee meetings and his other duties.

The Board and Dr Schmitz agreed in 2005 that he should stand for a further three year term. The Board is also satisfied that, following its review of Board and Director effectiveness in December 2007, Dr Schmitz remains independent in character and judgement. He continues to demonstrate the characteristics of independence, such as objectively challenging management and taking part in rigorous debate, while at the same time possessing an outstanding knowledge of the company's business and affairs, together with his experience gained as Chairman of the Audit Committee. In a long cycle investment business, such as GSK, it is considered to be particularly important to have experienced members on the Board.

Sir Roy, Sir Christopher, Sir Ian and Dr Schmitz are all Non-Executive Directors and have letters of appointment rather than service contracts. Messrs Witty and Viehbacher each have a service contract with a notice period of 12 months. The Non-Executive Directors' letters of appointment and Executive Directors' service contracts are available for inspection as specified in Note (viii) above.

Biographical details for each of the Directors standing for election or re- election to the Board at the Meeting are given in the company's 2007 Annual Report and 2007 Annual Review. In addition, current biographical details for each Director are maintained on [www.gsk.com](http://www.gsk.com)

#### **Resolutions 9 & 10 - To authorise the Audit Committee to re-appoint PricewaterhouseCoopers LLP as Auditors to the company and to determine their remuneration**

At every General Meeting at which accounts are presented to shareholders, the company is required to appoint auditors to serve until the next such meeting. PricewaterhouseCoopers LLP have indicated that they are willing to continue as the company's auditors for another year. You are asked to reappoint them and, following normal practice, to authorise the Audit Committee to determine their remuneration. Details of the company's policy with regard to non-audit work and details of work undertaken by the Auditors and their remuneration are given in the company's Annual Report which can be viewed on [www.gsk.com](http://www.gsk.com).

#### **Special Business**

Where resolutions are passed as special resolutions in order for those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

#### **Resolution 11 - Donations to Political Organisations & Political Expenditure (Ordinary resolution)**

The 2006 Act requires companies to seek shareholder approval for donations to Political Organisations. Although the company does not make and does not intend to make donations to political parties within the normal meaning of that expression, the definition in the legislation of "political organisations" is wide. It can 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.

No payments have ever been made under this authority.

#### **Resolution 12 – Authority to Allot Shares (Ordinary resolution)**

This resolution gives the Directors authority to allot unissued share capital with a nominal value of up to £456,791,387 which, as at 22nd February 2008, being the last practicable date prior to the publication of this Notice, represented just less than one-third of the issued share capital of the company. The Directors have no intention at present to exercise this authority to allot unissued shares of the company.

### **Resolution 13 - Disapplication of pre-emption rights (Special resolution)**

This resolution gives the Directors authority to allot Ordinary Shares (including any Ordinary Shares which the company has purchased and elected to hold as treasury shares) for cash without first offering them to existing shareholders in proportion to their existing shareholdings and is limited to allotments in connection with rights issues, or otherwise up to a maximum nominal amount of £68,525,560 representing just less than 5% of the company's issued share capital. This authority is granted under section 95 of the 1985 Act and is a standard resolution for most UK companies listed on the London Stock Exchange, each year.

### **Resolution 14 - Purchase of own shares by the company (Special resolution)**

This resolution seeks authority for the company to make market purchases of its own Ordinary Shares. Purchases of the company's own shares will be made only after considering the effects on earnings per share and the benefits for shareholders generally. You are asked to consent to the purchase by the company of up to a maximum of 548,204,484 Ordinary Shares, which represents just less than 10% of the company's issued share capital. This authority will expire at the end of the next Annual General Meeting or, if earlier, on 20th November 2009. The maximum price which may be paid for an Ordinary Share will be the higher of (i) 105% of the average middle market quotations for the five business days preceding the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid at the time the purchase is carried out. The minimum price which may be paid for an Ordinary Share is its nominal value of 25p. The company may either retain any of its own shares which it has purchased as treasury shares with a view to possible reissue at a future date, or cancel them. The company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares. This would give the company the ability to re-issue treasury shares quickly and costeffectively, and would provide the company with additional flexibility in the management of its capital base.

The total number of options over Ordinary Shares outstanding as at 22nd February 2008, being the last practicable date prior to the publication of this Notice, was approximately 335 million representing approximately 6.11% of the issued share capital. If the authority to buy back shares under this resolution were exercised in full, the total number of options to subscribe for Ordinary Shares outstanding as at 22nd February 2008 would, assuming no further Ordinary Shares are issued, represent 6.79% of the issued share capital. The total number of options as set out above includes options granted by the company and legacy companies, Glaxo Wellcome plc and SmithKline Beecham plc. The obligations of the company in respect of Ordinary Shares issuable under options outstanding are partly hedged by Ordinary Shares held by the Group's employee share ownership trusts, details of which can be found in the 2007 Annual Report which is available on the company's website at [www.gsk.com](http://www.gsk.com). The company's current intention is to satisfy the exercise of outstanding options over approximately 119 million Ordinary Shares, representing approximately 2.18% of the issued share capital of the company, by the release of Ordinary Shares from the Group's employee share ownership trusts, which on 22nd February 2008 held approximately 166 million Ordinary Shares, and the remainder by the issue of new Ordinary Shares.

### **Resolution 15 - Adoption of new Articles of Association (Special resolution)**

The company proposes to adopt new Articles of Association (the "New Articles"). These incorporate amendments to the current Articles of Association (the "Current Articles") to reflect certain provisions of the 2006 Act which have either come into force or are expected to come into force over the course of the next year.

The principal changes are set out below:

#### **(i) Articles which duplicate statutory provisions**

Provisions in the Current Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the

requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings.

#### **(ii) Form of resolution**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the 2006 Act. Further, the remainder of the provision is reflected in full in the 2006 Act.

The Current Articles enable members to act by written resolution. Under the 2006 Act public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

#### **(iii) Convening extraordinary and annual general meetings**

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the 2006 Act. In particular, a general meeting that is not an annual general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

#### **(iv) Votes of members**

The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles give the directors discretion, when calculating the time limits, to exclude weekends and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

#### **(v) Conflicts of interest**

The 2006 Act sets out directors' general duties. These provisions largely codify the existing law, but with some changes.

Under the 2006 Act, from 1st October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or a potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

**(vi) Notice of board meetings**

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice unless he supplies the company with the information necessary to ensure that he receives notice of a meeting before it takes place.

**(vii) Records to be kept**

The provision in the Current Articles requiring the board to keep accounting records has been removed as this requirement is contained in the 2006 Act.

**(viii) Distribution of assets otherwise than in cash**

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the company going into liquidation. These provisions have been removed in the New Articles as the provisions are a reflection of applicable insolvency legislation.

**(ix) Directors' indemnities and loans to fund expenditure**

The 2006 Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

**(x) General**

The opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

**Issued share capital**

All references to the company's 'issued share capital' in the Explanatory Notes above are to the company's issued share capital as at 22nd February 2008, which was 5,482,044,849 Ordinary Shares, excluding any Ordinary Shares held as treasury shares. As at 22nd February 2008, the company held 504,194,158 Ordinary Shares as treasury shares, representing 9.20% of the company's issued share capital (excluding treasury shares) as at that date. As at 22nd February 2008, the total number of voting rights in the company was 5,482,044,849.

The following information is provided in respect of section 992 Companies Act 2006:

**Share capital and control**

As at 31st December 2007, the company's authorised share capital comprised £2,500,000,000, divided into 10,000,000,000 Ordinary shares of 25p each nominal value, representing 100% of the total authorised share capital. On 31st December 2007 there were 5,508,392,868 Ordinary shares in issue, excluding 504,194,158 Treasury shares. GSK's shares are listed on the London Stock Exchange and are also quoted on the New York Stock Exchange in the form of American Depositary shares (ADSs). Each ADS represents two Ordinary shares.

The holders of Ordinary shares are entitled to receive dividends, when declared, the company's report and accounts, to attend and speak at General Meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfer, or limitations on the holding of Ordinary shares and no requirements to obtain prior approval to any transfers. No Ordinary shares 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 GSK share schemes and plans rank equally with the other shares in issue and have no special rights. The trustees of the Company's Employee Share Ownership Plan (ESOP) trusts have waived their rights to dividends on shares held by the ESOP trusts.

### **Change of control**

The company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid. The company does not have agreements with any Director or Officer 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.

### **Interests in voting rights**

Other than as stated below, as far as the company is aware, there are no persons with significant direct or indirect holdings in the company. Information provided to the company pursuant to the Financial Services and Authority's (FSA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the company's website.

At 22nd February 2008, the company had received notifications in accordance with the FSA's DTRs of the following notifiable interests, in the voting rights in the company's issued share capital:

Legal & General Management Ltd  
No. of shares: 289,799,780 (5.29% of issued capital\*)

Barclays PLC  
No. of shares: 199,255,616 (3.63% of issued capital\*)

\*Percentage of Ordinary shares in issue, excluding Treasury shares as at 22nd February 2008.

The Bank of New York Mellon is the Depositary for the company's ADRs, which are listed on the New York Stock Exchange. Ordinary shares representing the company's ADR program, which are managed by the Depositary, are registered in the name of BNY (Nominees) Limited.

The company has not acquired or disposed of any interests in its own shares, other than in connection with the company's share buy-back programme. Details of the shares purchased, cancelled and held in Treasury are given in the Annual Report and Annual Review.

### **Directors and Officers**

The interests of Directors and Officers and their connected persons in the issued share capital of the company are given in the Annual Report.

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. The company's Articles must be approved by shareholders in accordance with the legislation in force from time to time.

The Articles provide that directors may be appointed by an ordinary resolution of the members or by a resolution of the directors, provided that, in the latter instance, a director appointed in this way retires at the first AGM following his appointment.

The Articles also provide that at every AGM at least one third of the directors retire by rotation, and detail the circumstances in which and how they may be re-elected. The company's members may remove a director by passing an ordinary resolution of which special notice has been given. A director may automatically cease to be a director if (i) a bankruptcy order is made against him, (ii) he makes an arrangement or composition with his creditors or applies for an interim order in connection with a voluntary arrangement, (iii) he is suffering from a mental disorder, (iv) he has missed directors' meetings for a continuous period of six months without permission and the other directors resolve that he shall cease to be a director, (v) he is prohibited from being a director by law, (vi) he resigns, (vii) he offers to resign and the other directors accept that offer, or (viii) at least three other directors require him to resign.

The company's articles may be amended by a special resolution of the members.

The powers of the directors are determined by UK legislation and the company's Memorandum and Articles of Association, available on [www.gsk.com](http://www.gsk.com). As provided in those Articles, the directors may exercise all the company's powers provided that the Articles or applicable legislation do not stipulate that any such powers must be exercised by the members. The directors have been authorised to issue and allot Ordinary shares, pursuant to Articles 9-15 and have authority to make market purchases of shares pursuant to Article 8. The powers under Articles 8, and 10-13 are referred to shareholders at the AGM for renewal. Shareholders are also requested to renew the directors' power to make market purchases of shares at each AGM. Any shares purchased may be cancelled or held as Treasury shares.

### **Voting using Shareview**

If you have a Shareview portfolio, you may register your vote electronically by visiting [www.shareview.co.uk](http://www.shareview.co.uk), logging into your account and following the instructions provided.

### **Voting using Sharevote**

You may register your vote electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk) and following the instructions provided.

### **Voting using CREST's electronic proxy appointment service**

If you hold your shares in uncertificated form in CREST you may use the electronic proxy appointment service operated by CREST to appoint a proxy and register your vote.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on Wednesday, 21st May 2008 and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

### **Receipt of your vote**

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an instruction to a previously appointed proxy, must be transmitted so as

to be received by the issuer's agent, Equiniti (ID 7RA01) by 2.30 pm on Monday, 19th May 2008 in order to be valid.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.