

GSK Corporate Responsibility Report 2004

- | | |
|--|-----------------|
| 1. CEO/Chairman Statement | <i>Page 4</i> |
| 2. Employment Practices
Global Leadership Survey 2004
Diversity
Employee Development
Internal Communication
Health and Safety | <i>Page 6</i> |
| 3. Human Rights
Employees
Suppliers | <i>Page 38</i> |
| 4. Access to Medicines
Developing World
Developed World | <i>Page 43</i> |
| 5. Leadership and Advocacy
HIV/AIDS Accelerating Access Initiative
Patient Advocacy
GSK's Unique Business Model for Vaccines
Science Policy Conferences
Importation of Medicines | <i>Page 60</i> |
| 6. Community Investment
Value of Community Investment
Humanitarian Relief
Major Public Health Initiatives
Community Partnerships
Supporting Education
Employee Involvement | <i>Page 68</i> |
| 7. Engagement with Stakeholders
Engagement on Corporate Responsibility
Engagement with Investors | <i>Page 82</i> |
| 8. Standards of Ethical Conduct
Code of Conduct
Management Certification on Business Ethics
Training and Awareness
Monitoring | <i>Page 88</i> |
| 9. Research and Innovation
Animal Research
Conduct of Clinical Trials
Training and Auditing for Clinical Trials
Public Disclosure of Trial Results | <i>Page 96</i> |
| 10. Products and Customers
Marketing Codes of Practices
Marketing Training and Compliance | <i>Page 107</i> |

INDEX

11. Caring for the Environment

EHS Management
Energy & Climate Impact
Water
Waste
Ozone Depletion
Volatile Organic Compounds
Product Stewardship
Suppliers
Compliance
Verification Statement
Progress Towards Targets

Page 115

12. Managing CR

Page 178

13. Summary of Indicators and About This Report

Pages 184, 185

This report is printed from the online 2004 GSK Corporate Responsibility Report, published on 24th March 2005 on www.gsk.com.

The option to print the report is provided for the convenience of readers who prefer a hard copy of the report. It is not intended to be a substitute for the full online report, which has links to further information. These links are shown in underlined blue font throughout the printed report.

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CEO/CHAIRMAN STATEMENT

Through our products GSK delivers clear benefits to patients around the world. Great products, however, are not the whole story -- society expects companies to act responsibly in their pursuit of success. If anything, the fact that our business is about human health makes it even more important that we operate to the highest standards.

Corporate responsibility is not just a job for selected people at GSK, it defines the way we do business. Our ten corporate responsibility principles set the standard for everyone, since responsible business is only a reality if it is practised by all employees at all times. In this report we show our progress against each principle.

We are reporting significant achievements in 2004. GSK is one of the leading pharmaceutical companies in the essential area of improving access to medicines in the developing world. For example, this year we tripled shipments of our preferentially-priced *Combivir* tablets to help alleviate HIV/AIDS in the developing world. Over 80% of these went to Africa, and we also granted five more voluntary licences to African companies to produce HIV treatments locally.

We are proud of our commitment to communities around the world. Our total community investment in 2004 was £328 million (\$600 million). This includes our donation of 67 million tablets to support the elimination of lymphatic filariasis, a debilitating disease that threatens one billion people in the developing world.

Responsible business practices are also the key to a good reputation. In 2004, the pharmaceutical industry and GSK continued to come under public scrutiny on how medicines are developed, tested and marketed. To meet this challenge we must act with integrity and be open about our approach to these important issues. We took an important step this year with the launch of our Clinical Trial Register, providing public access to our product information.

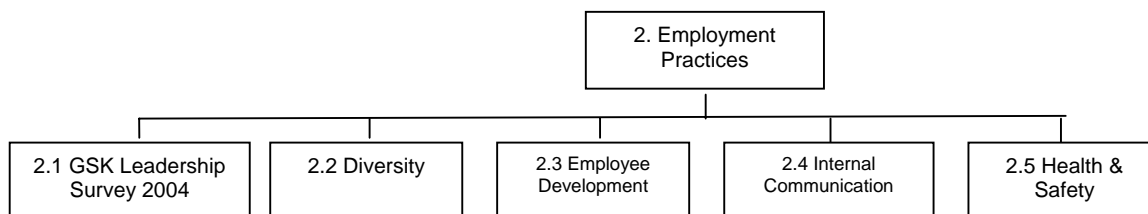
We also want to make information on our corporate responsibility performance more widely available. The transition of the 2004 report to the internet, and the integration of our environmental, health and safety information, means this information is now accessible by more of our stakeholders.

We invite you to read this report for more information on all our corporate responsibility principles, and we welcome your comments and suggestions.

Sir Christopher Gent
Chairman

Dr JP Garnier
Chief Executive

EMPLOYMENT PRACTICES



Employment 2

Employment Practices

Corporate responsibility principle

We will treat our employees with respect and dignity, encourage diversity and ensure fair treatment through all phases of employment. We will provide a safe and healthy working environment, support employees to perform to their full potential and take responsibility for the performance and reputation of the business.

To learn more on employment practices visit our website

GSK employs 100,000 people in 116 countries.

The success of our business depends on us getting the best from our people. We do this by creating a positive working environment, offering competitive reward packages that emphasise performance, providing opportunities for training and advancement, and by listening and responding to employees' feedback.

We expect employees to meet high standards in the way they carry out their work for GSK. The GSK Spirit defines our culture and the principles we expect employees to work by. These are:

- performance with integrity
- entrepreneurial spirit
- focus on innovation
- a sense of urgency
- passion for achievement

Regular performance appraisals assess whether employees have upheld these principles and the requirements of our Code of Conduct in their work. The results affect bonuses and career progression. See Standards of Ethical Conduct in the website for more information on our Code of Conduct.

This section explains our approach and performance in 2004. It covers:

- the results of our 2004 Global Leadership survey assessing employee satisfaction and the development of GSK's culture
- our programmes to recruit and retain a diverse workforce
- employee development and performance appraisals
- how we communicate with employees and get their feedback
- our health, safety and wellbeing programmes

Case study

Improving Ergonomics at our Barnard Castle Site

The new isolator is one of 80 ergonomic improvement projects at Barnard Castle

We have taken several initiatives to reduce ergonomic risks at our Barnard Castle site in northern England in 2004. The site won first place for safety in our 2004 internal Environment, Health and Safety awards for excellence.

The Ergonomic Improvement Team (EIT) was formed at the site in 2001 to combat increasing lost time illnesses and injuries related to musculoskeletal disorders such as repetitive strain injury. It includes 13 employees from a range of different departments across the site.

Ergonomics are considered in the design of new equipment – we conduct risk assessments and discomfort surveys, and consult trained local ergonomic experts.

We encourage employees to be aware of ergonomics and have seen a 160% increase in ergonomic hazards reported. The EIT has produced two ergonomics manuals for employees, an awareness training package and completed 80 improvement projects in a three year period (2002-2004) including the ones described below.

Warehouse employees operating very narrow aisle (VNA) hi-racker trucks complained of sore backs and wrists. The trucks were more than ten years old, so we decided to buy a new fleet at a total cost of £347,000 (\$635,000), primarily to improve operator comfort. The trucks have better controls that require less effort to manoeuvre, have more headroom to allow drivers to sit or stand comfortably, and fully adjustable seats designed to provide good back support. They are also more efficient and use less energy to operate.

We consulted employees when purchasing and installing a new isolator (to be used for the biological testing of products) in order to identify and minimise ergonomic risks. Responding to their comments, we modified the design of the isolator to minimise the amount of bending, twisting and stretching necessary to operate it.

In 2003, the site achieved its best ever EHS performance, with 3.4 million hours worked without a lost time injury or illness.

The model developed at Barnard Castle is being rolled out across other GSK sites.

Global Leadership Survey 2004

The sustainability of our success as a business rests significantly on intangibles such as the quality of our leadership, our culture and our ability to develop talented people. Regular employee surveys help us to monitor the evolution of GSK's culture and overall employee satisfaction with the Company. The results are used to assess the effectiveness of our people management practices and identify areas for improvement.

In 2004 we conducted our second Global Leadership Survey of GSK managers. The survey was completed by over 9,500 managers in all countries where GSK operates (an 83% response rate). It tracked their views against our first survey in 2002 and against findings from other global companies such as IBM and Microsoft.

Key Survey Findings

The responses were generally more positive than in 2002. There was a significant improvement in the number of positive responses to 29 out of 31 core questions and, overall, responses were on average 4 points higher than two years ago.

Areas that received high scores included business ethics, with 92% of managers reporting that they understand how the GSK Code of Conduct applies to their job responsibilities, pride in the company and clarity about how their role is aligned with GSK's wider strategy and mission. For example:

	% 2004	% 2002
People in my department show commitment to performance with integrity	91	88
I can see a clear link between my work and the company's objectives	87	85
The people I work with cooperate to get the job done	87	82
I am proud to be part of GSK	83	78
Strategies in my department support the pursuit of the GSK mission	85	81
People in my department are committed and enabled to make meaningful contributions	82	76
I feel encouraged to come up with new and better ways of doing things	77	74
I can report unethical practices without fear of reprisal	76	70
I would gladly refer a good friend or family member to GSK for employment	78	72

The survey also produced clear messages about areas for improvement. Quite a few managers expressed concerns about workload and also frustrations about not being able to do their best work. The areas that received lower scores still showed improvement over 2002 and included:

	% 2004	% 2002
The amount of work I am expected to do is about right	45	42
GSK is a company where great people can do their best work	52	46
When choices have to be made, my manager usually places quality over other business objectives (deadlines, budget, etc.)	54	48
How satisfied are you with the recognition you receive for doing a good job?	57	56
Sufficient effort is made to get the opinions and thinking of people who work here	59	51
Leaders in my department act as teachers, coaches, and champions of development	59	54
I receive ongoing feedback that helps me improve my performance	61	57

Comparisons With Other Companies

Responses to many of the survey questions can be compared with those given by employees of other companies through a cross-company database. This includes responses from around three million employees in 139 countries.

GSK scored highly compared to other companies in several areas. These include:

- My manager effectively communicates GSK goals and objectives
- I can report unethical practices without fear of reprisal
- I have the authority to make decisions that improve the quality of my work

We scored below average in other areas, including:

- The amount of work I am expected to do is about right
- When choices have to be made, my manager usually places quality above other business objectives

It is important to understand the context of this second finding. This is a business where exceptionally high quality standards are built in at every level. Analysis of the response with employees indicated that their concern was related to hitting deadlines, rather than quality per se.

Improvement Plans

The survey findings have been reviewed by GSK's Corporate Executive Team and our business units are developing plans to deliver improvements in key areas.

For example, additional ethics training is planned for parts of the business that scored lower than the GSK average on business ethics questions. Other business units are looking at ways to improve the effectiveness of their employee development, coaching and feedback systems.

Diversity

To learn more about diversity visit our website

GSK is committed to employing a diverse workforce in an environment where all employees are treated with respect and dignity.

Diversity benefits our business. A workforce with diverse backgrounds, cultures and outlooks helps us to understand the needs of different patients and customers. Only by delivering genuine equality of opportunity can we be sure that we have the best people in the right jobs doing their best work for GSK.

We have a range of initiatives to ensure we meet our diversity commitments. We also monitor and report data on gender diversity by management grade worldwide and on ethnicity in the UK and US.

Activity and Performance in 2004

Disability Review

We conducted a comprehensive Disability Review in the UK during 2004 to make sure GSK is meeting the needs of disabled employees and visitors. The Review covered accessibility of our UK locations, the GSK web and intranet sites and an audit of our employment policies.

During the Review we consulted with employee focus groups and external organisations, including the Royal National Institute for the Blind and the Employers Forum on Disability.

We carried out 21 audits to assess access to our sites and offices. They identified physical changes needed to improve access, which are now being implemented. We also provided training to our front of house employees so they know how to assist disabled visitors when necessary.

Our internet site was also assessed and we are making improvements to ensure it is compatible with browsers used by visually-impaired people. All job applications to GSK must now be made over the internet, so it is particularly important that the site is fully accessible and that help is readily available for disabled applicants.

We have also provided training for employees working in human resources, to make sure that disabled candidates receive equal consideration in our recruitment processes.

GSK received the UK Government's Two Ticks accreditation for its commitment to employing disabled people.

Gender Diversity

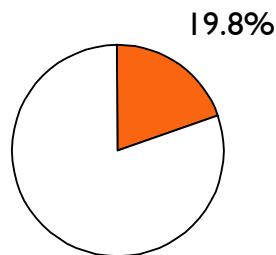
Women in management					
Grades	Female	%	Male	%	Total
A&B Bands	139	19%	587	81%	726
C01 - C03	1263	33%	2616	67%	3879
C04 - C05	2580	38%	4289	62%	6869
Total	3982	35%	7492	65%	11474

The total number of women in management increased incrementally this year; however women remain under represented in senior grades. We will continue to focus on ways of ensuring women have genuine equality of opportunity in GSK.

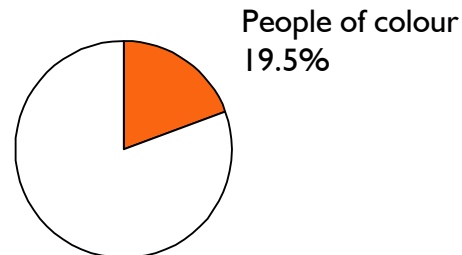
We held our first Women in Science event in the UK in May 2004, enabling female science graduates to give feedback on how GSK could attract more women scientists. Women in Science will take place each year and we plan to hold a similar event in the US during 2005.

Ethnic Diversity

UK employees from ethnic minorities



Ethnicity of US employee population



In 2004, ethnic minorities accounted for 19.8% of UK employees. In the US, people of colour made up 19.5% of our workforce, the same as for 2003.

Multi-Cultural Marketing and Diversity Awards

Our annual Multi-Cultural Marketing and Diversity Awards recognise staff who have found creative ways to reach a wider audience of employees, customers and communities.

Awards are given in several categories including one for Employee Attraction, Development and Retention. This year's winners included:

- An Asian Employee Support Group in North Carolina that provides "English as a Second Language" classes and career development coaching to its members
- Employee mentoring and summer internships to encourage young women to become scientists
- The "Famili Vaccines" initiative in India, which encourages mothers to have their children vaccinated. The campaign is delivered in 12 languages and conveys messages that take into account religious and cultural differences across India
- A US "SeniorCare" programme to help elderly people cope with diabetes and respiratory problems

Employee Networks

Our employee networks in the US encompass programmes for Asian, African American, Hispanic and gay and lesbian employees. The first gay and lesbian network leaders conference was held during 2004 to share practical strategies for leading the employee groups.

Employee Development

GSK invests in training and development to enable employees to perform to the best of their ability and to develop their careers.

We provide a range of job-related training to help all employees build their skills and do their jobs effectively. In addition, appropriate leadership training is available to all managers. Employees can enrol in training programmes through our myLearning intranet site in the UK and US. During 2004, 8,882 employees attended 438 development programmes in these countries. Similar opportunities exist for employees worldwide but data are not currently collected on the take-up of the programme.

In 2004, 1540 people attended Leadership Edge, our global programme for senior managers, and 412 attended Leadership@GSK, the programme for middle managers. A further 221 employees attended our foundation programme for new managers, Management@GSK. The programmes are designed to help managers improve the performance of their staff and to increase their insight into differing work styles, strengths and motivation. Also in 2004 the Inspirational Leadership Workshop was launched to build on some of the main concepts of Leadership Edge, focusing on the senior leadership role of inspiring and motivating people to high performance to meet business challenges. The Workshop is targeted at executives and senior leaders, particularly those with significant influence over large numbers of staff.

Regular performance appraisals reward strong performance as well as helping employees to set objectives and identify the training they need. More than two-thirds of GSK employees receive an annual performance appraisal through our Performance and Development Planning (PDP) programme.

The PDP process includes an assessment of how well employees have implemented the GSK Spirit - the principles we use to define our culture. It can have a significant impact on bonus payments, potentially reducing them to zero if an employee is found not have followed the Spirit, and can also affect future career development.

Internal Communication

Good internal communication is important in achieving our business objectives as well as creating an open and inclusive work environment.

We have a range of communications channels to keep employees up-to-date with company news and enable them to give feedback. These include:

- myGSK, our global intranet site, provides news and updates and a Q&A section where employees can put questions directly to the CEO and other senior executives. Up to 100 questions are answered each month.
- Behind the News, a section of the GSK intranet, gives the company's position on important issues linked to press stories about GSK.
- Spirit, our internal magazine, reaches around 50,000 employees throughout the company four times a year. In 2004 Spirit won a Gold Award for Best Internal Magazine of the Year from Communicators in Business Awards, Europe's biggest and most prestigious awards programme for corporate communications.
- "Townhall" sessions for employees at all levels of the company, hosted by senior management including the CEO. Employees have the opportunity to discuss the progress of the business, raise questions and give feedback. There were 16 of these events in 2004.
- Employee surveys are carried out regularly throughout the organisation to enable staff to give feedback. A global survey of managers is carried out every two years. See Global Leadership Survey.
- A leadership conference for senior managers celebrated employee contributions, GSK's future vision of success and the role leaders play in the company. Following the conference delegates debriefed their teams on the messages and outcome of the conference. 97% of managers who attended felt it was a worthwhile use of their time.
- Many of our sites and offices produce local newsletters that help keep employees up-to-date on local and company news.
- Confidential feedback mechanisms enable employees to raise concerns. These include our integrity helpline. See Standards of Ethical Conduct.
- In Europe our Works Councils and European Employee Consultation Forum provide regular opportunities for employees and company management to discuss issues. See Human Rights in the website for more information.

We also keep employees informed about our corporate responsibility programmes. During 2005 all senior employees will receive a copy of our CR Overview. The Overview will also be included in Spirit, our internal magazine, which reaches around 50,000 employees.

We track the effectiveness of communications through questionnaires and employee surveys. Our Leadership Survey in 2004 found that:

- 61% of respondents believe our communications are open, honest and objective
- 75% feel they have access to the information they need to be an ambassador for GSK.

See Global Leadership Survey in the website for more details.

We monitor the questions employees put to senior managers through the Q&A pages on myGSK to ensure we pick up potential areas of concern. We also track readership of news stories on myGSK to help improve the relevance and interest of the content.

Health and Safety

How we Manage Health and Safety	18
Injury and Illness Rates	20
Causes of Injury and Illness	26
Serious Incidents and Fatalities	28
Health Programmes	29
Safety Programmes	33
Suppliers	35

The health and safety of employees and contractors is an absolute priority for GSK. We systematically assess the risks associated with our operations and take action to protect employees and others in the workplace.

We track the number of cases of work-related injury and illness resulting in time off work. Our target is to reduce work-related lost time injuries and illnesses per 100,000 hours worked by 15% every year until the end of 2005. During 2004 our injury and illness rate remained almost constant and therefore we did not meet our target. This may be partially explained by improvements in our reporting systems, including training, resulting in more accurate data.

We will redouble our efforts to resume the positive trend established between 2001 and 2003 that led to a 30% reduction in the illness and injury rate.

We routinely monitor the causes of incidents and assess what can be learned to avoid them happening again.

About the Health and Safety Section of This Report

This is the 5th year that we have reported on our health and safety performance. The legacy companies (Glaxo Wellcome and SmithKline Beecham) individually published EHS reports for a number of years prior to the formation of GSK in 2000. Copies of these reports are available on the Corporate Register website

In previous years, we have published a separate EHS report alongside our Corporate Responsibility Report, but this year we have fully integrated the two.

There are also more details about our corporate responsibility reporting in the section about this report.

Scope of Data

The health and safety data covers the calendar year 2004. It is collected from all our 84 pharmaceutical and consumer manufacturing sites, 6 of 8 biologicals manufacturing sites and all 24 R&D sites as well as all 6 distribution centres, all 6 major office locations and 63 of our smaller offices

and sales locations. We include data for sites that were in operation for all or part of the year.

Notes attached to the charts explain the scope and data collection process for each parameter in more detail.

Verification

The environment, health and safety sections of this report are externally verified by ERM (Environmental Resources Management). Web pages to which the verification applies are indicated by this symbol



See ERM's verification statement in this document.

How we Manage Health and Safety

We manage health and safety through an integrated environment, health and safety (EHS) management system. The system incorporates our EHS and Employee Health Policies, EHS Vision and 64 Global EHS Standards. Our EHS Plan for Excellence sets out our strategy for improving EHS performance up to 2010. See more on our EHS Management System section in the website.

Our Corporate Environment, Health and Safety (CEHS) and Employee Health Management (EHM) teams help coordinate our health and safety programmes. See more on our EHS Management Organisation section in the website.

In these pages we summarise activities during 2004 that relate specifically to health and safety. See the EHS Management in the website section of our Corporate Responsibility Report for information on how we manage environmental and broader EHS issues.

Health and Safety Feedback From our EHS Audits

We aim to conduct EHS audits at each operational site at least once every four years. We carry out more frequent visits at selected sites, depending on an assessment of risk and the issues raised by previous audits. In 2004, 33 sites were audited including three key office locations. The average score was 71%.

Our audits identified several priority areas:

- Chemical risk assessment and control.
- Managing resilience and mental well-being.
- Ergonomic risk assessment and control.
- Scope and adequacy of workplace risk assessments.
- Management systems approach to auditing EHS programmes.
- Root cause analysis of EHS incidents.
- Implementation of permit-to-work programmes.
- Management of contractors.

All sites are required to develop plans to address any weaknesses and opportunities to improve identified in the audit. Auditors monitor sites' progress in implementing the plans. In 2004 the EHS audit process and scoring system were further refined based on experience and feedback. We are trialling EHS auditing software on our intranet site to help the auditors track progress, and aim to have a fully functional version ready in 2005.

OHSAS 18001 Certification

In 2004, four sites achieved certification to the international health and safety standard OHSAS 18001 for the first time. This brings the total number of manufacturing sites certified to 14 out of 84 pharmaceutical and consumer

manufacturing sites with one additional site that certified only the utilities area. The certified sites are in China, Egypt, France, India, Mexico, Poland, Turkey and the UK. See audits and certification in the website for information on certification to the environmental management standard ISO14001.

Health and Safety Week

GSK runs an annual Health and Safety Week every October (to coincide with the European Health and Safety week). Information kits are sent to all sites to help them develop ideas and plan activities. In 2004, over 13,800 employees from 67 sites in 29 countries took part in the Health and Safety Week.

Activities included sports days, safe driving education, ergonomics training, awareness-raising on healthy eating and lifestyles, and family participation events.

Injury and Illness Rates

The main indicator we use to measure health and safety is the lost time injury and illness rate, ie work-related injuries and illnesses that result in time off work. Other measures include lost calendar days from injuries and illnesses, and reportable injury and illness without lost time.

Lost Time Injuries and Illnesses

Lost time injuries and illnesses are work-related incidents that are serious enough to result in one or more days away from work.

In 2004 there were 519 lost time injuries and 61 lost time illnesses corresponding to a combined rate of 0.30 per 100,000 hours worked.

At 71 sites in 35 countries, there were no lost time injuries or illnesses during the year. At one site in China, there have been no lost time injuries or illnesses for three years. In addition:

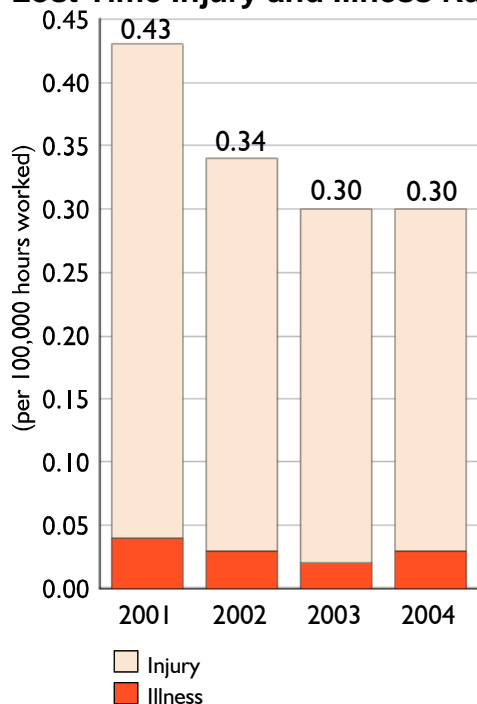
- two sites in Canada and Mexico achieved 5 million hours worked without a lost time injury or illness;
- one site in Puerto Rico achieved 4 million hours worked without a lost time injury or illness;
- three sites in Bangladesh, Pakistan and Singapore achieved 3 million hours worked without a lost time injury or illness;
- three sites in India, Saudi Arabia and the US achieved 2 million hours worked without a lost time injury or illness;
- ten sites in China, India, Pakistan, Poland, Spain, UK, and the US achieved 1 million hours worked without a lost time injury or illness.

See more on injury and illness milestones in the website.

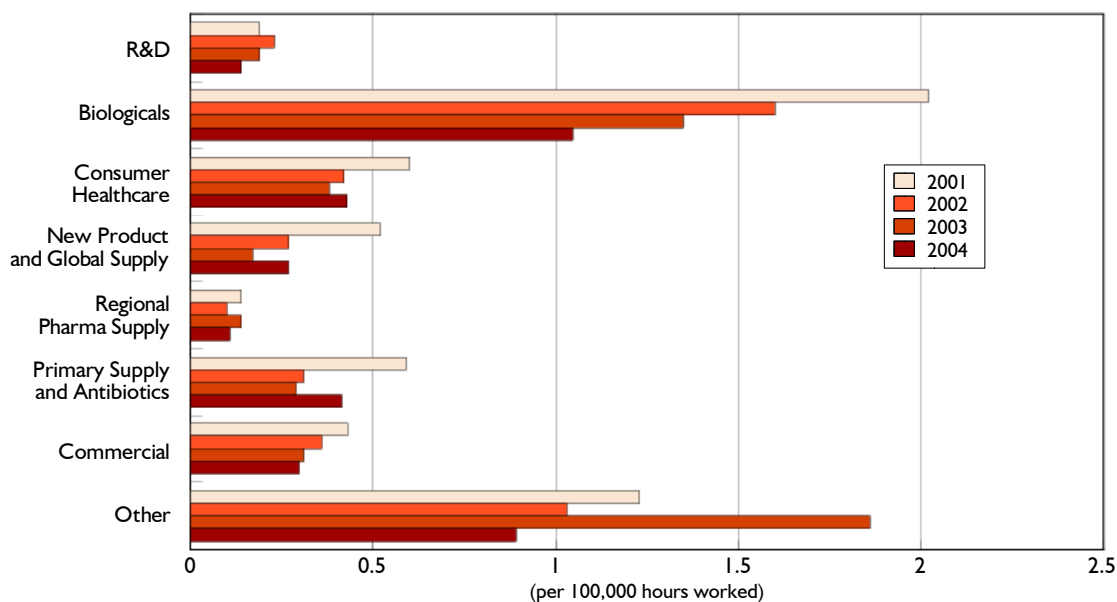
Cases of work-related mental ill health are excluded from the overall illness rate. This is because the consistency of reporting such cases is less robust than other occupational illnesses and there are variations in the way these illnesses are defined under local legislation which affects reporting. However, we are working to address these inconsistencies and aim to include these cases at a future date. In 2004, there were 30 cases of work-related mental ill health with lost time, a rate of 0.02 per 100,000 hours worked.

Performance

Lost Time Injury and Illness Rate



Lost Time Injury and Illness Rate by Business



We track the number of cases of work-related injury and illness resulting in time off work. Our target is to reduce work-related lost time injury and illness per 100,000 employees by 15% every year until the end of 2005. During 2004 our injury and illness rate remained almost constant and therefore we did not meet our target. This may be partially explained by improvements in our reporting systems, including training, resulting in more accurate data.

We will redouble our efforts to resume the positive trend established between 2001 and 2003 that led to a 30% reduction in the illness and injury rate.

In 2005 we will need to achieve a 24% improvement to put us back on track to achieve our 2005 target.

Notes to Injury and Illness Charts The health and safety data cover both our employees and contract workers who are directly supervised by GSK employees.

All injury and illness rates are per 100,000 hours worked.

Lost time injuries and illnesses are work-related injuries and illnesses that are serious enough to result in one or more days away from work.

Lost calendar days are the calendar days that employees could not work because of work-related injuries and illnesses. This helps to provide a measure of the severity of injuries and illnesses.

Reportable injuries and illnesses without lost time are reported incidents that did not result in time away from work (lost time). They are more serious than first aid but generally less serious than lost time.

We do not include cases of mental ill health in our lost time illness rates. This is because of variations in the way mental ill-health is defined and reported across sites, which we are working to address.

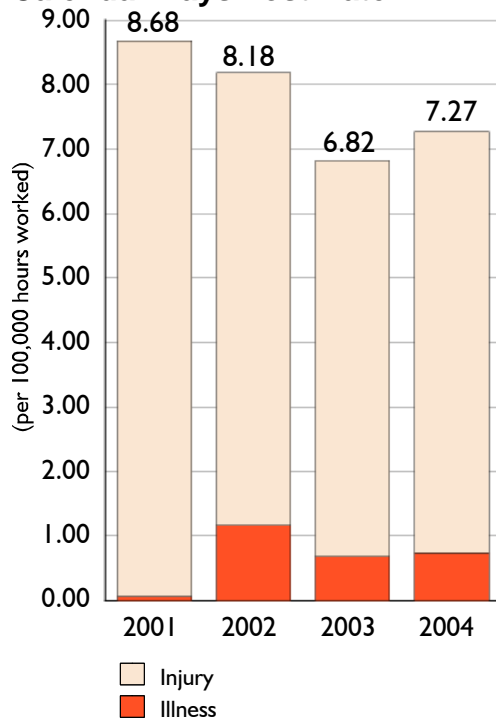
Lost Calendar Days From Injuries and Illnesses

We also measure the calendar days that employees could not work because of work-related injuries and illnesses. This helps to provide a measure of the severity of injuries and illnesses, although it is not always an accurate reflection eg some illnesses such as hearing loss and sensitisation can result in permanent disability without resulting in lost time.

In 2004, excluding work-related mental illness, there were 12,748 lost days due to injury and 1,446 lost days due to illness. There were an additional 1,513 lost days due to work-related mental illness. In 2004, approximately 13% of illnesses resulted in permanent disabilities, such as noise induced hearing loss, sensitisation to chemicals and some musculoskeletal illnesses.

Performance

Calendar Days Lost Rate



Notes to injury and illness charts – as box above.

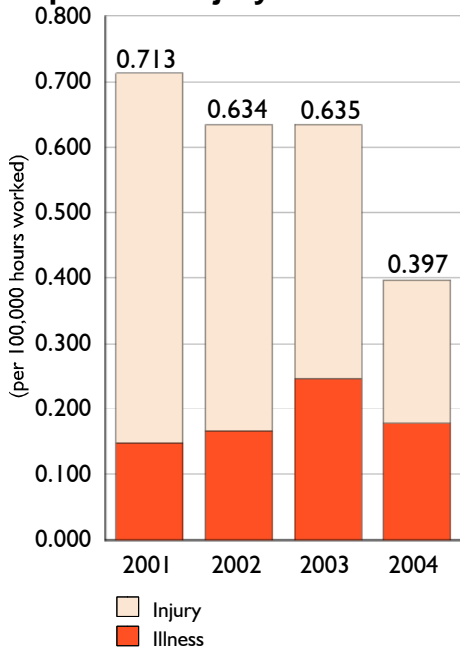
Reportable Injury and Illness Without Lost Time

We also measure the number of reportable injuries and illnesses that did not result in time away from work (lost days). These are work-related injuries and illnesses that are more serious than first aid but generally less serious than lost time.

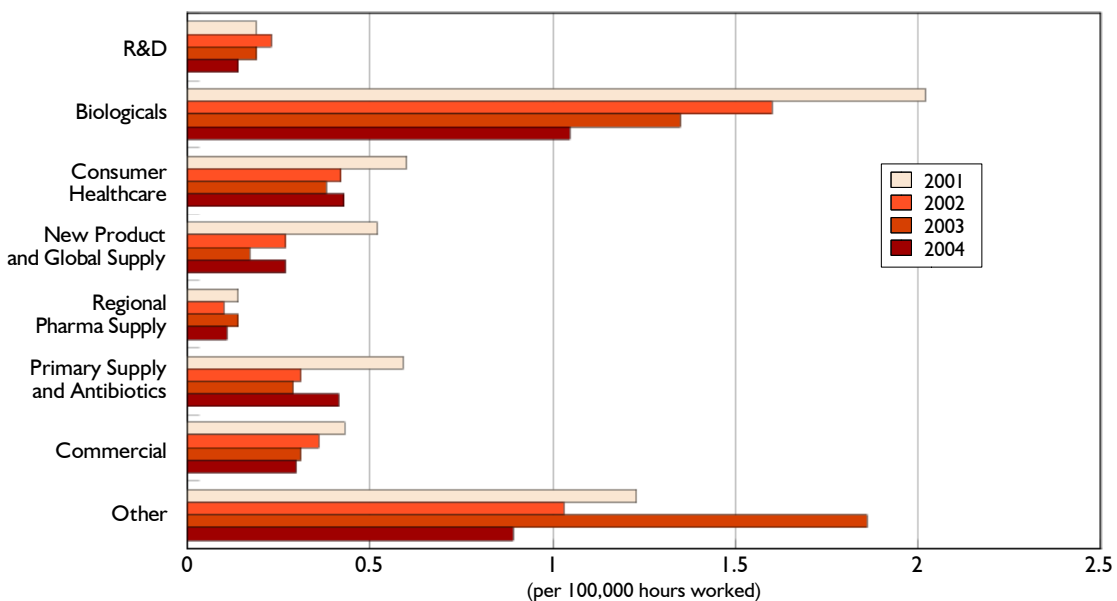
In 2004 there were 430 injuries without lost time and 345 illnesses without lost time. There was also an additional 9 cases of mental illness without lost time, a rate of less than one per 100,000 hours worked.

Performance

Reportable Injury and Illness Without Lost Time Rate



Reportable Injury and Illness Without Lost Time Rate by Business



Notes to injury and illness charts - as box above.

Contractors Working on GSK Sites (Not Directly Supervised by GSK Employees)

Here we report health and safety data for construction contractors or contract companies (eg those providing catering and landscaping services) who work on GSK sites but supervise and direct their own staff. The data for contract workers who are directly supervised by GSK employees are included in the data for GSK employees.

In 2004 there were 83 lost time injuries and illnesses (a rate of 0.40 per 100,000 hours worked). There were also 1,351 calendar days lost (a rate of 6.55 per 100,000 hours worked) and 412 reportable injuries and illnesses without lost time (a rate of 2.00 per 100,000 hours worked). This data is not included in the verification by ERM.

These rates are higher than those for GSK employees. Contract companies are responsible for supervising their own employees and also for providing them with safety training.

Causes of Injuries and Illnesses

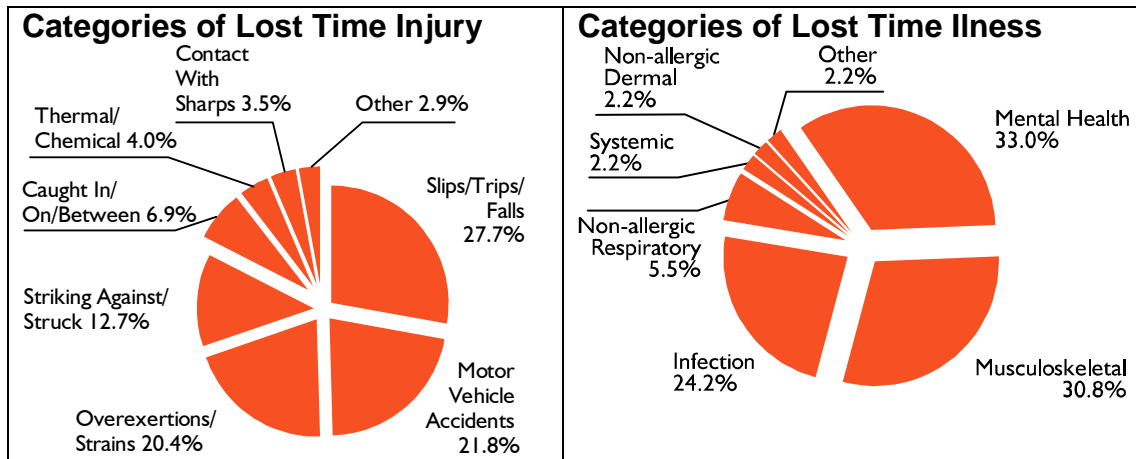
Lost Time Injuries and Illnesses

Slips/trips/falls, motor vehicle accidents and over-exertions/strains were the main causes of injuries resulting in lost time.

Mental illness, musculoskeletal illness (primarily repetitive strain injury) and infections were the main causes of illnesses resulting in lost time. There were two outbreaks of infection (caused by food poisoning at onsite catered events), resulting in 22 cases of food borne illnesses that resulted in lost time.

The causes of lost calendar days were very similar.

Performance



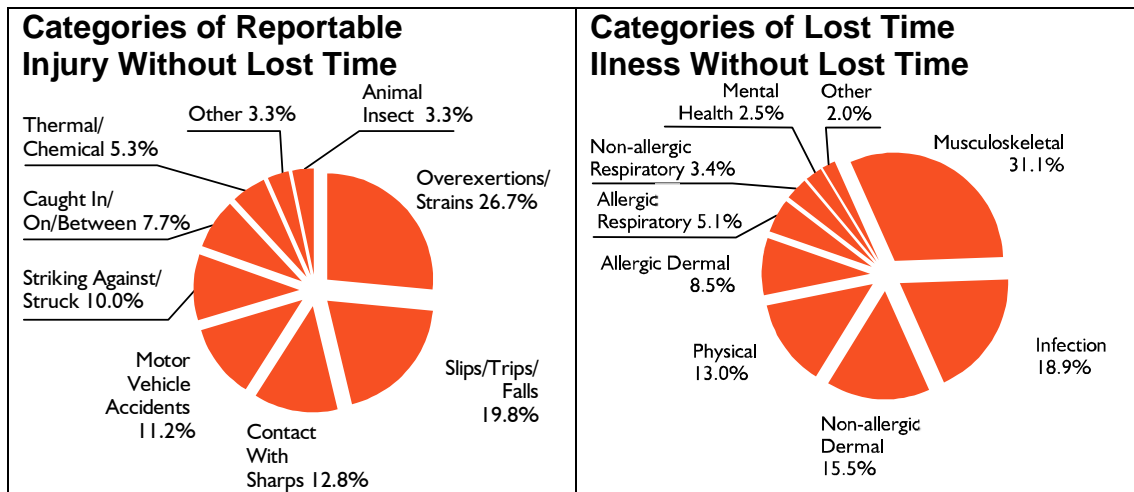
Notes to injury and illness charts - as box above.

Reportable Injuries and Illnesses Without Lost Time

Overexertions/strains, slips/trips/falls and contact with sharps were the main causes of reportable injuries without lost time.

Musculoskeletal illness was the main type of reportable illness without lost time, accounting for 31% of the total. This is followed by infection at 19%

Performance



Notes to injury and illness charts – as box above.

Serious Incidents and Fatalities

We deeply regret two work-related employee fatalities and one work-related third party fatality during 2004.

In Egypt, a GSK sales representative fell into an elevator shaft while on a business trip. In the United States, a GSK sales representative died in a traffic accident. The third party fatality was in Brazil, where a visitor travelling in a GSK car died in a traffic accident. We are working to reduce traffic accidents through our driver safety programme. See safety programmes in the website.

Our health and safety data covers driving accidents that occur on business travel. We only report data on commuting accidents if the vehicle is owned and operated by GSK. However, we took very seriously a commuting accident in Nigeria, where a truck collided with a bus (not owned or operated by GSK) carrying GSK employees to work, leading to six employee fatalities.

We also report serious incidents ie incidents that result in permanent disability (including amputations) or those that are reported to the regulatory authorities. In 2004, accidents with machinery resulted in four employees (at sites in Japan, Pakistan, India and the US) needing to have part of a finger amputated. In addition, one employee (at a site in India) had to have a hand amputated and one employee (in the US) needed surgery but suffered no permanent disability. A Canadian employee suffered severe hand injuries following a serious car crash.

We investigate the circumstances of all fatalities and other serious incidents and assess what can be learned to avoid similar injuries again. We also issue global alerts (posted on our intranet site) to communicate information that could help prevent similar incidents at other sites.

Health Programmes

At GSK, we recognise that good employee health contributes to good business health.

Our Employee Health Policy – which sits alongside our EHS Policy – sets out our overall commitment to protecting and promoting the health and well-being of our employees. An Employee Health Management department supports our sites in implementing the policy globally. In 2004 we held workshops in India, Europe and the US for health practitioners to share information and best practice. See more on Employee Health Management organisation in the website.

In 2004, our internal audits identified a number of weaknesses in the way sites manage key health risks, including chemical agents, ergonomics, and resilience and mental well-being. We have responded by developing new strategies on chemical exposure, ergonomics, and resilience and mental well-being and by introducing a number of new management tools and resources.

In 2005, we plan to set up a new employee health “scorecard” to measure and monitor the effectiveness of programmes and processes to promote the health and productivity of our employees.

Our aim is to improve GSK’s business performance through enhancing the health and resilience of its people. Here are some of the key health achievements in 2004:

Resilience and Mental Well-being

There were 39 cases of mental illness (with and without lost time) at GSK in 2004 – a significant reduction from 79 in 2003. There was also a corresponding decrease in the number of days lost from work-related mental illness from 2,956 in 2003 to 1,513 in 2004.

Mental illness was the leading cause of work-related sickness absence, accounting for 33% of all work-related lost time illnesses. On average, each GSK case of work-related mental illness resulted in 50 days off work, significantly more than the average number of days lost from other causes of occupational illness causing lost time.

We use the term ‘resilience’ to describe the set of skills and behaviours needed to cope successfully with the pressures of a rapidly changing work environment. We have strategies on resilience and mental well-being in the UK and the US. In 2005 we plan to develop a group-wide strategy on these issues.

During the year, a total of 150 teams in the UK used our Team Resilience Toolkit – developed in 2003 – to identify and manage risks and measure performance.

In many countries, including the UK and US, we continued to put in place health and stress-reduction programmes that are relevant to local conditions, cultures and workplace risks. Many of these are designed to reduce workplace pressure and encourage a good work-life balance. Examples include personal and team resilience, personal skills such as time management, flexible working options, health awareness and education initiatives, and healthy food choices at our on-site catering facilities. We also provide fitness facilities either on-site or off-site at many of our sites. For example, in the UK, we have a fitness centre at GSK House in Brentford, and almost half (47%) of the employees who work there are members of it. In the US, we have fitness facilities at nine sites and an average of 20% of our employees have enrolled to use the facilities.

In 2004, our sites in Singapore and the UK received awards for initiatives to promote resilience. Our manufacturing site in Jurong, Singapore, received a Platinum Award from the Health Promotion Board of the Singapore Ministry of Health for programmes which encourage staff to “work hard, play hard and stay well.” A bronze award was also presented to our Quality Road site for health programmes. In the UK, the GSK Resilience and Mental Well-being strategy was recognised by the UK Health and Safety Executive as a Beacon of Excellence and one of the best stress prevention strategies they have seen.

See more on our approach to resilience and mental well-being in the website.

Ergonomics

In 2004, there were 28 cases of musculoskeletal illness (with lost time), mainly due to repetitive strain injury. These accounted for 31% of work-related lost time illnesses – the second most frequent category (after mental health). There were also 106 overexertion/strain injuries with lost time accounting for 20% of lost time injuries. In addition, musculoskeletal illness not related to work is the leading cause of sickness absence in the UK and one of the highest categories of healthcare spend in the US.

In response to these challenges, GSK has developed an ergonomics strategy up to 2010, and created and appointed a new position of a full-time professional ergonomist. With this appointment at the end of 2004 we will refine our strategy and programmes going forward.

Our approach to managing ergonomic issues is a collaborative one involving Employee Health Management staff, safety professionals, engineers, line managers and human resources functions.

In 2004, 106 sites carried out 3,243 office workstation risk assessments using our on-line ergonomics risk assessment tool. This has now been translated into French, Italian, Polish, Portuguese and Spanish and is available on our intranet.

During the year, we also started work to develop a specific ergonomics risk assessment and control tool for non-office based employees. This will be piloted in the US before being extended globally.

A key part of our strategy for 2005 and beyond is to establish employee-led ergonomic improvement teams at all GSK sites. In the UK, we now have such teams at thirteen sites. In 2004, these sites achieved a 40% reduction in musculoskeletal injuries and illnesses.

Over 80 examples of ergonomics best practice have been developed and shared on our intranet. We also created a new area on our intranet for people with ergonomics responsibilities to discuss issues, share ideas and access resources.

In 2005, the GSK ergonomics guidance will be updated to reflect the growing amount of knowledge and expertise in this field. We also plan to incorporate ergonomic principles into our design tool kits for new equipment and processes.

Our manufacturing site in Barnard Castle, UK, was awarded 1st place in the safety category of our EHS Excellence Awards for its ergonomic improvements. See case study in the website.

See more on our approach to ergonomics in the website.

Occupational Hygiene and Control of Chemical Exposure

In 2004, there were 9 cases of respiratory or dermal (skin) illness resulting in lost time and 115 non lost time cases, mainly due to exposure to chemicals. Together, they accounted for 28% of work-related illnesses.

In 2004, we developed a strategy on control of chemical exposure up to 2010. This sets out a plan of action for achieving our 2010 goal of a 'shirt sleeve' working environment i.e. a workplace where containment of chemicals during manufacture replaces the need for personal protective equipment.

During the year we surveyed all our sites to review the way they handle chemicals and control exposure to the most potent compounds (those with an exposure limit less than 100 micrograms per cubic metre. Note – a microgram is one millionth of a gram). This has helped us to understand our current position and set priorities for the future.

We have introduced new tools to help sites calculate the cost of different options for controlling exposure to chemicals. This has resulted in a better understanding of the true costs of control strategies and frequently demonstrates that engineering controls, including containment systems, are more cost effective than traditional control methods of extraction and personal protective equipment. A number of our sites have achieved significant savings by installing new containment systems. For example, in Parma, Italy, a new containment system for a toxic compound for treating cancer led to savings of £1.4 million. In Dungarvan, Ireland, a new enzyme containment solution led to financial savings of £0.2 million.

To share best practice across our sites, we have made available on our intranet site 43 engineering design kits for controlling chemical exposures

(solutions already in existence that we know work) and 10 pre-engineered solutions (new designs). We are also working to develop new technologies that make it easier to contain highly potent compounds.

We continue to refine the way we assess the EHS hazards of materials and integrate this into our research and development process. In 2004, our experts established new occupational exposure limits for more than 40 materials and environmental limits based on scientific data for more than 300 materials.

A task force has been established in our antibiotic business to improve control of chemical exposures during manufacture. We are also addressing the challenging task of controlling exposure to the most hazardous category of compounds during the manufacture of the final formulation of medicines that go to patients.

As with research into new medicines, testing of material hazards may involve animal experiments. GSK is committed to the principle of the 'three Rs' to reduce, refine and replace animal experiments. See more on occupational chemical hazard evaluation and animal testing in the website.

See more on our approach to Occupational hygiene and control of chemical exposures in the website.

HIV/AIDs

In 2004, we continued to provide antiretroviral treatment (ARV) to all GSK employees (full and part-time) and their families in the developing world where treatment is not provided adequately or consistently by the local healthcare system. See more on our approach to HIV in the website.

We also developed a number of awareness-raising initiatives. For example, in 2004, our factory in Nairobi, Kenya, worked with the National AIDS Trust in the UK to develop HIV/AIDs educational materials. This was funded by our Positive Action Programme in the website which provides support to communities around the world affected by HIV/AIDs.

We also offer preferentially priced ARVs to other employers in Sub-Saharan Africa who provide care and treatment for staff. See preferential pricing in the website.

Safety Programmes

We systematically assess risks to anticipate potential accidents, and put programmes in place to minimise them. We also learn from investigating the causes of accidents and make improvements accordingly. In 2004, we introduced a number of new initiatives on driver safety and process safety.

Driver Safety

In 2004, there were 113 driving accidents (with lost time), which accounted for 22% of lost time injuries. Our sales representatives drive long distances every year and are therefore particularly at risk of driving accidents.

Our Global EHS standard on Occupational Travel includes requirements on driver safety. In 2004, we developed 11 technical instruction documents to help GSK businesses comply with the standard. These cover a wide range of topics including driver training, fitness to drive, vehicle selection, risk assessment, insurance, accident reporting, driver ergonomics, and driving and the environment. We monitor compliance with the standard through internal audits and self assessment questionnaires.

GSK also produced a number of tools to help commercial fleet managers improve driver safety. New driver safety programmes for sales representatives were introduced in 18 countries (Belgium, Bosnia, Brazil, Chile, Croatia, the Czech Republic, France, Germany, Hungary, Ireland, Italy, Lithuania, Nigeria, Slovenia, South Africa, Spain, Sri Lanka and Switzerland). More stringent requirements, such as additional training, were added to existing programmes in a number of countries (Australia, Canada, Japan, Poland and Romania and the US). In the UK, a comprehensive driver safety programme was developed in 2004 ready for roll-out to the three GSK commercial business units in January 2005. We will continue to expand driver safety programmes throughout commercial operations in the next few years.

In a few countries, we provide motorbikes or scooters for employees. In 2004, a GSK Motorbike Rider Safety Manual was produced. This was distributed in local languages to employees in countries where motorbikes are widely used, including Bangladesh, India, Indonesia, Pakistan and Vietnam. These countries have now also fully implemented the GSK requirement for every driver of a motorbike to wear a helmet. We will continue to follow up and monitor the implementation of the motorbike safety programme.

See more on our approach to driver safety in EHS Programmes in GSK Commercial in the website.

Process Safety and Safety Engineering

Our process safety programme ensures that safety is built into our manufacturing processes. A Process Hazard Analysis (PHA) must be completed before any new project is carried out. In 2004, we launched a new

Failure Mode and Effects Criticality Analysis (FMECA) system to help engineers develop safer processes.

See more on our approach to process safety and safety engineering in the [website](#) .

We have developed safety data sheets (SDSs) for more than 1,200 of our products. Some of these are available on our website – see [safety data sheets](#). In 2004, we developed an email notification tool which automatically keeps employees up-to-date with changes to SDSs. We also started to make environmental testing data available on our SDSs.

In 2004, we also launched the HazClass System to help track hazardous material shipments worldwide and ensure the safe transportation of over 10,000 materials per month. See more on safe transport of materials in the [website](#).

Suppliers

Our supply chain is complex. It ranges from major strategic relationships with contract manufacturers that make final medicines for us to suppliers of key materials.

EHS Audits

We conduct regular EHS audits of our key suppliers to check they comply with our EHS standards and key legislation. In 2004, we carried out 35 site-based EHS audits of existing and potential suppliers. We found a wide variation in performance across the sites audited. The lowest score was 22% and the highest was 92%. We make recommendations to sites following the audits and have a process to monitor progress, with a particular focus on poorly performing sites.

In 2004, three potential key suppliers achieved unacceptable EHS scores (less than 30%) and therefore we did not source from them. No existing supplier scored below 30%.

We found that health and safety was generally well managed at supplier sites in Europe and North America. However, we identified some challenges in emerging economies, especially in areas relating to fire prevention and response, occupational hygiene and control of chemical exposure, identification of hazards and risks, and systems for reporting and investigating incidents. See suppliers and contractors (in the environmental section of this website) for more about our EHS audits.

Supplier Performance

We have approximately 80 centrally managed key suppliers, which include both contract manufacturers and suppliers of materials.

We are working towards reporting the health and safety performance of our contract manufacturers. This is a more difficult process than collecting data from our own sites because contract manufacturers are independently managed.

In 2004 we collected health and safety data from 13 major contract manufacturers. This data is not included in the verification by ERM.

Employees at the 13 contract manufacturers who reported health and safety data worked a total of 12.8 million hours on manufacturing GSK products in 2004.

Lost time injury and illness:

There were 65 lost time injuries and 16 lost time illnesses corresponding to a combined rate of 0.64 per 100,000 hours worked.

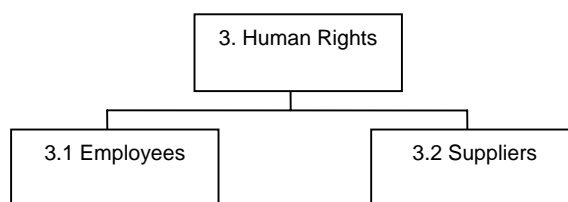
Injury and illness without lost time:

There were 121 injuries without lost time and 22 illnesses without lost time corresponding to a combined rate of 1.11 per 100,000 hours worked.

Calendar days lost from injury and illness:

There were 1,540 lost days from injuries and 84 lost days from illnesses corresponding to a combined rate of 12.71 per 100,000 hours worked.

HUMAN RIGHTS



Human Rights 3

Human Rights

Corporate responsibility principle

We are committed to upholding the UN Universal Declaration of Human Rights, the OECD guidelines for MNEs and the core labour standards set out by the International Labour Organisation. We expect the same standards of our suppliers, contractors and business partners working on GSK's behalf.

Human rights is a broad subject that is relevant to GSK in a number of different contexts. In this section we discuss human rights for GSK employees and human rights issues in our supply chain.

Our direct employees are generally highly educated and skilled people for whom we are striving to make our company an attractive employer. Generally our employment standards on issues such as diversity and equal opportunities provide adequate safeguards on human rights.

Our supply chain is complex, diverse and global. We recognise it is possible that our suppliers in some countries do not fully respect the human rights of their workers or those in their community. Within our sphere of influence, we have begun work to ensure that our suppliers observe similar standards to ours in their relations with employees and communities.

Employees

The human rights of our employees at work are fully protected by our employment policies and procedures. For more details see Employment Practices in the website.

We operate globally, including in countries where the government does not fully respect human rights. We believe our presence in these countries is vital to ensure continued access to medicines for their people. We aim to create a working environment for our employees where the standards match those in our operations elsewhere.

To ensure we are delivering our commitment to international human rights standards in employment, we conduct an annual global audit. This involves asking the head of Human Resources for each country where we operate to report on whether GSK employment practices meet these standards. Following the 2004 audit we have not identified any significant human rights issues for our workforce.

We can confirm that GSK does not employ children or anyone younger than 16. All our employees are entitled to join trade unions and to organise, in countries where this is permitted by national legislation. We are committed to listening and responding to the views of our employees, including through works councils and staff consultation committees.

Discrimination and harassment are not tolerated under any circumstances. Employees can report any concerns to senior management on a confidential basis, using our global integrity helpline. During 2004 there were no cases reported by employees to our compliance function that directly raised human rights issues.

Suppliers

Our supply chain is complex. It includes high-spend, strategic relationships with suppliers that manufacture medicines for us or supply ingredients to multiple GSK manufacturing plants. It also includes relatively low spend contracts for locally-sourced goods or services such as cleaning products, rubber gloves or laundry services.

Given the size, diversity and global scope of our supply chain we recognise it is possible that suppliers in some countries do not fully respect the human rights of their workers or those in their community. Within our sphere of influence, we have begun work to ensure that our suppliers observe similar standards to ours in their relations with employees and communities.

The first step is to incorporate clauses in our supplier contracts that seek assurances from our suppliers about their commitment to human rights. This includes compliance with minimum wage legislation; provision of a healthy, safe work place free from discrimination; the right of employees to join an independent trade union; and opposition to all forms of slavery and exploitative child labour.

During 2004 we continued the process (begun in 2003) to include human rights clauses in our central contract templates for use with new suppliers. During 2005 we will be working with local procurement managers to ensure they incorporate appropriate clauses into local contracts. Human rights clauses are also being introduced into contracts for existing suppliers as they are renewed.

Where appropriate, taking into account the varying risk of human rights abuses in different regions, major existing suppliers have been asked to confirm in writing that they comply with GSK's human rights clauses. We began this process in 2003 by contacting over 400 suppliers and in 2004 we contacted over 650 more suppliers.

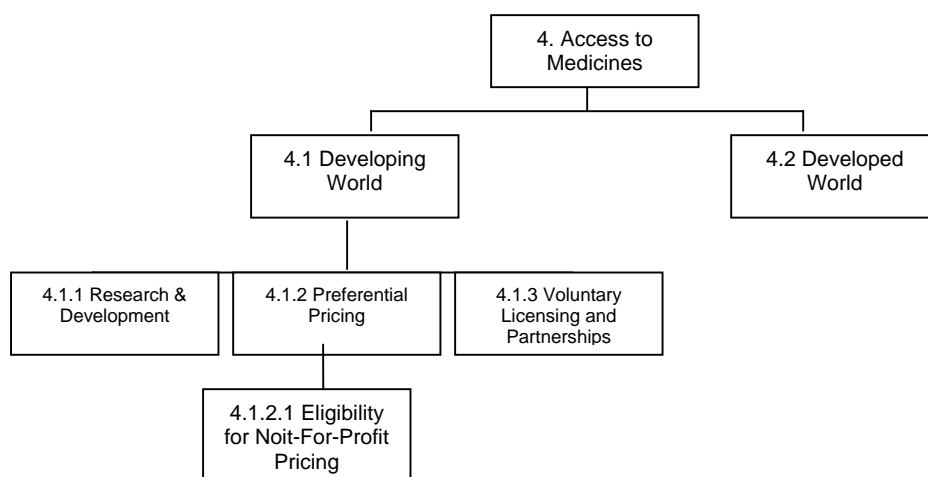
The second step is to audit and monitor suppliers. We already conduct regular Environment Health and Safety audits of our contract manufacturers (see Suppliers and Contractors). In 2003 these audits were extended to incorporate criteria and questions on human rights. There were 35 audits conducted during 2004 and no human rights issues were noted. For other major suppliers, compliance is assessed during regular supplier review meetings conducted by GSK's procurement professionals.

A guidance document 'Supplier Compliance with GSK Human Rights Requirements' has been developed for employees working in procurement. It explains our standard contract clauses on human rights, the importance of supplier compliance with these standards, how to monitor human rights issues during EHS audits and supplier reviews and how to deal with instances of non-compliance. This is part of our Sourcing Group Management process which provides a training and best practice programme for GSK procurement

professionals. Human rights requirements are included in the criteria used by procurement for selecting new suppliers.

If a supplier is found not to have met our standards we will work with them to agree improvement plans and achieve compliance. We think this is better than walking away from the problem. However, we will terminate a contract if a supplier will not or cannot work towards compliance.

ACCESS TO MEDICINES



Access 4

Access to Medicines

Corporate responsibility principle

We will continue to research and develop medicines to treat diseases of the developing world. We will find sustainable ways to improve access to medicines for disadvantaged people, and will seek partnerships to support this activity.

Access to healthcare is a significant challenge in many parts of the world. Millions of poor people in both developed and developing countries cannot obtain the medicines they need.

This section describes how GSK is helping to improve access, and our progress in 2004. It covers our:

- contribution to the developing world through research, not-for-profit pricing, partnerships and voluntary licences
- preferential pricing arrangements and discount cards for middle-income countries
- Patient Assistance Programs and discount cards to help uninsured patients in the US

We also support under-served communities worldwide through donations, funding and practical support, see Community Investment in the website.

Case study

Improving Access to Medicine in Lithuania

GSK's new *Orange Card* in Lithuania is giving all senior citizens better access to the medicines they need.

Patients in Lithuania must contribute towards the cost of prescription medicines. Many senior citizens don't get the treatment they need because they cannot afford to pay this cost and do not have private medical insurance to cover the expense. Doctors are aware of this and may sometimes prescribe based on the patient's ability to pay rather than the best option available. In general, the access to innovative treatment is very limited in Lithuania. The standard of living of seniors is relatively poor and healthcare financing is one of the lowest in the EU. All of these causes encouraged GSK Lithuania to implement the *Orange Card* scheme launched successfully in the US.

The *Orange Card* helps to tackle this problem by giving all senior citizens a discount of up to 100% of the patient's contribution on all GSK prescription medicines. Patients can apply by completing a simple form and if eligible they will receive their *Orange Card* by post.

The card was launched in July 2004 through a national advertising campaign and promotional material sent to pensioner organisations, doctors and pharmacies. By February 2005 more than 3,500 patients had applied for an *Orange Card* and 107 pharmacies had registered to participate.

Our target is for 18,000 patients and 125 pharmacies to have joined the programme by July 2005.

Developing World

There is a healthcare crisis in many parts of the developing world. Millions of people do not have access to adequate food and clean water. Their governments do not have the resources to fund the clinics and staff needed to deliver healthcare. The AIDS pandemic has made these problems worse, creating a generation of orphans and depriving communities of their greatest asset – fit and healthy people.

Tackling this crisis is a complex challenge. Poverty is the fundamental cause and a huge barrier to progress. Significant political will and extra funding are needed from new national and international sources to aid development and build healthcare infrastructure.

We believe that it is the responsibility of governments and intergovernmental agencies, supplemented by the work of many NGOs, to work in partnership to deliver the healthcare needed in these countries. However, the pharmaceutical industry can play a significant role in supporting their work.

We make an important contribution through:

- Investing in research and development that targets diseases disproportionately affecting developing countries
- Providing antiretrovirals (ARVs), anti-malarials and vaccines at specially reduced prices
- Developing partnerships and granting voluntary licences to local manufacturers.

We also support programmes to improve health and education through our community investment programme. Partnerships focus on four major diseases -- lymphatic filariasis, malaria, HIV/AIDS and diarrhoeal disease. Support is given through donations of cash and medicines, as well as employee involvement. See Community Investment in the website.

Research and Development

To learn more about R&D for the developing world visit our website

The research and development (R&D) of new drugs is essential to improve health in the developing world. There are still no effective treatments for some widespread and life-threatening diseases. Many existing treatments for diseases such as malaria are becoming less effective due to drug resistance.

Many of these diseases disproportionately affect developing countries. This means there is often no viable commercial market for new treatments. New ways are required to encourage R&D and to ensure that new medicines and vaccines reach the people who need them. One solution is the Public Private Partnership (PPP) model. This encourages R&D and can often accelerate the product's uptake in the developing world on a scale that cannot be achieved by a company on its own.

PPPs involve companies and the public sector (eg governments, the WHO and other UN bodies, academia, and philanthropic foundations) working together. They are helping to address this lack of effective markets. Companies provide technology, development, manufacturing and distribution expertise. Public sector partners help fund R&D and delivery costs, ensuring that new medicines and vaccines get to the people who need them. GSK is a partner in several PPPs including the Medicines for Malaria Venture (MMV), Global Alliance for TB and the Malaria Vaccine Initiative (MVI). PPPs such as these are transforming the landscape of R&D into diseases of the developing world.

GSK has created a dedicated group in our pharmaceutical R&D organisation, based in Spain, the UK and the US, to focus on diseases disproportionately affecting developing countries. Projects are prioritised according to their social and public health benefits rather than their commercial returns. A similar group exists in our vaccines organisation based in Belgium.

We believe GSK is currently the only company researching both new vaccines and treatments for HIV/AIDS, TB and malaria – the World Health Organisation's three priority diseases.

HIV/AIDS affects both developed and developing countries. This means there is a commercial market for new treatments, which encourages investment in the required R&D. GSK is the industry leader in research into HIV/AIDS treatment, and currently has three major clinical development programmes in progress, each with a different mode of action.

In total GSK has 14 clinical programmes for medicines and vaccines against 9 diseases¹ particularly relevant to the developing world. Seven of these projects are for diseases that disproportionately affect developing countries.

¹ HIV/AIDS, malaria, leishmaniasis, dengue fever, TB, hepatitis E, N. meningitis, cervical cancer and pneumonia

Development Pipeline at end of 2004 for diseases relevant to the developing world*

Focus	Pre-clinical activity	PHASE I	PHASE II	PHASE III	MARKETED
HIV	✓		CCR5 antagonist NNRTI Protease Inhibitor		<i>Retrovir, Epivir, Combivir, Ziagen, Trizivir, Agenerase, Epzicom/Kivexa, Lexiva/Telzir</i>
Vaccines	✓	HIV TB Dengue fever	N. meningitidis Malaria Hepatitis E	<i>Streptorix</i> (S. pneumoniae paediatric) <i>Cervarix</i> (cervical cancer)	<i>Rotarix</i> – (Rotavirus) <i>Havrix</i> - (Hepatitis A) <i>Enerix-B</i> - (Hepatitis B) <i>Twinrix</i> - (Hep A&B) <i>Infanrix</i> - (Diphtheria, Tetanus, acellular Pertussis) <i>Tritanrix</i> - (Diphtheria, Tetanus, wholecell Pertussis) Polio Sabin - (Polio) <i>Priorix</i> - (Measles, Mumps and Rubella) <i>Typherix</i> - (Typhoid) <i>Hiberix</i> - (Haemophilus influenzae type b) <i>Mencevax ACW</i> (meningitis)
Malaria	✓	pyridone**	CDA (chlorproguanil, dapsone + artesunate)	tafenoquine	<i>Lapdap, Halfan, Malarone</i>
TB	✓				
Other	✓			sitamaquine (visceral leishmaniasis)	<i>Zentel</i> (de-worming agent) <i>Pentostam</i> (visceral leishmaniasis)

* more detailed information on our product pipeline can be found in the Annual Report [link]

**the pyridone project should enter phase 1 in 2005

Progress in 2004

Malaria

- Phase IIb clinical trials of our malaria vaccine for children showed unprecedented results. Data from the trials, conducted with the Malaria Vaccine Initiative (MVI), showed the vaccine protected a significant percentage of children against uncomplicated malaria, malaria infection and even severe forms of the disease for at least six months. Dr Melinda Moree, Director of MVI, commented that “The findings represent a breakthrough in the science of malaria vaccines”.
- GSK is working with the Medicines for Malaria Venture (MMV), the World Health Organisation (WHO) and academic partners to develop an affordable fixed-dose artemisinin combination treatment for malaria in Africa, based on GSK’s *Lapdap*.
- We received the MMV’s Project of the Year award for our Pyridone Project, investigating a new class of compounds for use against malaria. The project was chosen by the MMV’s Expert Scientific Advisory Committee - a group of 12 experts in malaria and drug development - for its rapid success in identifying a drug candidate. We have since signed an agreement with the MMV to take a lead compound into clinical development.

HIV/AIDS

- We have also made progress on R&D into HIV/AIDS. *Epzicom/Kivexa*, a new fixed dose combination of *Epivir* and *Ziagen*, was approved in the US and Europe. This new once-a-day combination tablet will help to simplify treatment regimens for patients. We plan to register it across the developing world in 2005 once it has received a European Certificate of Pharmaceutical Product. *Telzir*, a new protease inhibitor, was approved in Europe in 2004 and is being registered in the developing world, where it will provide yet another treatment option.
- In September we signed a material transfer agreement with the International Partnership for Microbicides (IPM). Under the agreement, GSK's HIV drug candidates will be tested for use in microbicides to prevent transmission of HIV and help women reduce their vulnerability to HIV infection during sexual intercourse.
- Phase II clinical trials of our CCR5 antagonist, a new class of AIDS therapy, produced positive data. The therapy will now be tested in further clinical studies. If trials are successful the therapy may benefit people living with HIV who have developed viral resistance to existing HIV treatments.
- Proof of concept trials and drug interaction studies are underway for two additional HIV/AIDS compounds, a protease inhibitor (PI) and non-nucleoside reverse transcriptase inhibitor (NNRTI), and results are expected to be reported in 2005.
- GSK is supporting clinical trials that are sponsored by external organisations - such as the WHO, the UK's Medical Research Council and US National Institutes of Health (NIH) - through our HIV-collaborative research programme for resource-poor settings. Twenty trials are currently underway mainly focussing on public health-related issues and involving more than 13,000 patients in the developing world.
- Phase I clinical trials on our most advanced HIV vaccine candidate continued in 2004 with no major milestones to report.

TB

- GSK and Corixa, a US pharmaceutical company, began phase I clinical trials of a new vaccine for tuberculosis in 2004. This is the first study of this vaccine candidate to be conducted in humans.
- During 2004 GSK continued to screen compounds for possible use as new classes of anti-TB drugs against enzymatic targets of *Mycobacterium tuberculosis* and *M. tuberculosis* whole cells. Should our search be successful the leads identified from screening will be progressed to candidates for development.

Rotavirus

- Our rotavirus vaccine, *Rotarix*, for the prevention of gastroenteritis, was launched in Mexico in January 2005. Rotavirus infection is the leading cause of severe diarrhoea and vomiting (gastroenteritis) in children under two and kills around 600,000 children each year - one child every minute - mostly in developing countries. *Rotarix* was tested in the largest phase III clinical trial ever performed for a vaccine, involving over 60,000 children. We are now seeking regulatory approval for the vaccine in other developing countries.

Cervical Cancer

- Clinical trials of our cervical cancer vaccine, *Cervarix*, produced positive results. Cervical cancer is the number one cause of cancer deaths in women in the developing world. Current studies suggest *Cervarix* could reduce by 70% a woman's lifetime risk of developing cervical cancer. We hope to launch the vaccine in Europe and our International region during 2007.

Leishmaniasis

- GSK is developing sitamaquine, a new oral treatment for visceral leishmaniasis which affects at least half a million people a year in the developing world and is usually fatal if untreated. A new treatment for leishmaniasis is urgently needed since current medicines are either impractical or becoming ineffective due to drug resistance. Sitamaquine has shown good efficacy in phase II studies and clinical development is ongoing.

Preferential Pricing

To learn more about preferential pricing visit our website

There are many barriers to healthcare in developing countries. Most significantly, poverty, and a lack of political will, have led to a lack of medical infrastructure – hospitals, clinics and medical professionals – that prevents poor people accessing the healthcare they need.

The affordability of medicines is also important and there are two elements to this. First is the ability of governments or patients to pay for medicines. Solving this problem will require developed country governments and inter-governmental agencies to make significant additional financial resources available to developing countries.

The second element is the price at which medicines are sold, an area GSK can help to address. We are making key medicines available to developing countries at more affordable prices and in sufficient quantities for as long as they are required. This is a major commitment that we call 'preferential pricing'.

All our AIDS and malaria treatments are available at not-for-profit prices to public sector customers and not-for-profit organisations in over 100 developing countries, including all the countries covered by the US President's Emergency Plan for AIDS Relief (PEPFAR). [Link to eligibility criteria and How to Guide] Our prices are sustainable – we do not make a profit on them, but we do cover our manufacturing and distribution costs. Therefore we can sustain supply of these products for as long as they are needed.

We aim to reduce not-for-profit prices for our ARVs and anti-malarial medicines whenever improvements in manufacturing, or economies of scale, allow. For example, *Combivir*, one of our key ARVs, is now available at \$0.65 a day, compared with \$1.70 in April 2003. This equates to around \$237 per patient per year and includes delivery costs, which compares favourably with generic tablets. The February 2005 pricing report by Medecins Sans Frontieres shows that the average cost of generic equivalents is \$0.75 a day and the lowest priced generic equivalent costs \$0.55 a day.

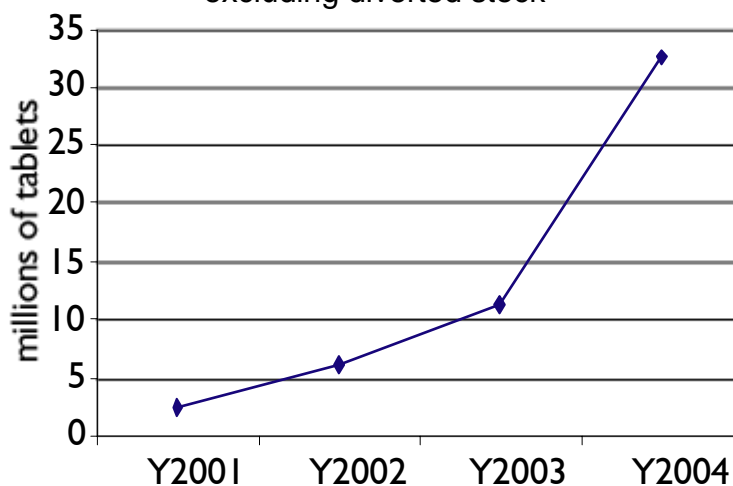
In addition, we negotiate public sector prices with middle-income developing countries on a case-by-case basis. These combine a viable and sustainable commercial return for GSK with increased affordability for the healthcare systems concerned.

GSK vaccines are also available at preferential prices. Here we work with multinational organisations such as UNICEF, the World Health Organisation and the Pan American Health Organisation, governments and non-governmental organisations, to provide appropriate and affordable vaccines for the developing world.

Progress in 2004

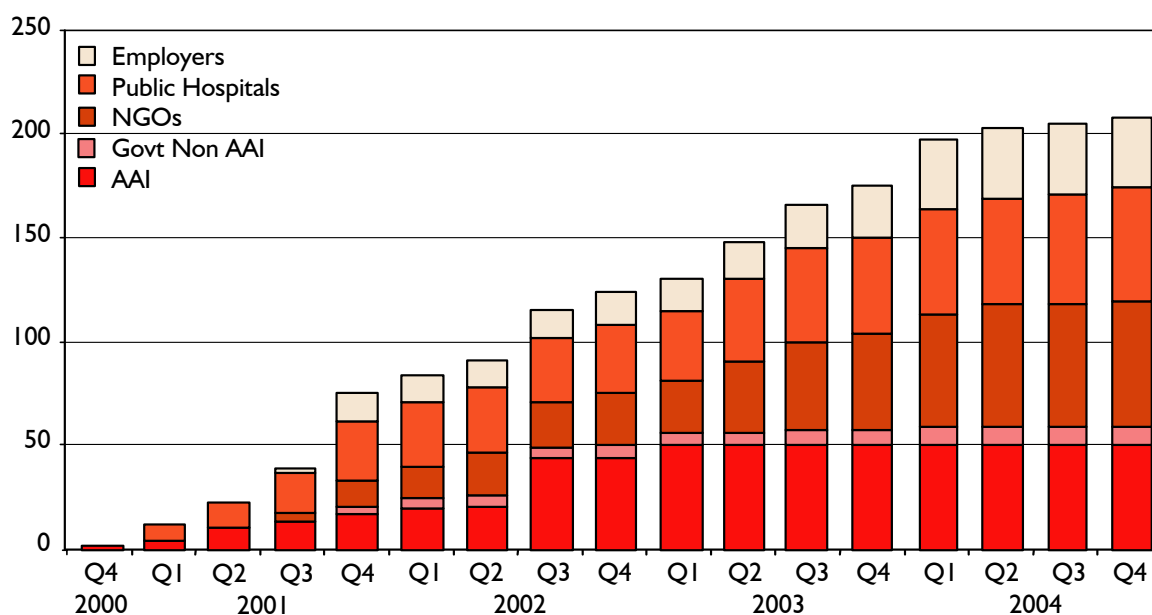
- In 2004 we shipped 32.7 million preferentially-priced *Combivir* tablets to the developing world, with over 80% of these going to Africa. This is nearly three times the 11 million tablets shipped in 2003. We do not routinely collect data for our other preferentially-priced medicines but a similar increase has been experienced for *Epivir*, another of our ARVs. Overall shipments are still low given the scale of the AIDS epidemic in Africa but the growth is encouraging. More doctors, hospitals and clinics are needed to treat more patients and ensure better take up of preferentially priced medicines.

Shipments of preferentially priced Combivir
excluding diverted stock



- It is difficult to estimate the number of patients treated as a result of our preferential pricing agreements, since GSK does not control healthcare provision. A report from the UN-led Accelerating Access Initiative (AAI), suggests that by September 2004 more than 333,000 patients in developing countries were receiving ARV treatments supplied by the seven pharmaceutical companies in the AAI. This includes 157,500 patients in Africa, a 50% increase since September 2003. For more on GSK's work with the AAI see Accelerating Access Initiative in the website.
- At the end of 2004 we had 208 arrangements to supply preferentially-priced ARVs in 57 countries. This includes 30 agreements with private employers.
- We added new supply agreements with a number of middle-income countries during 2004. These include an agreement with the Chinese Ministry of Health for preferentially priced *Epivir* tablets to support China's national HIV treatment programme, and a number of arrangements in Central and Eastern Europe.
- We are also introducing discount cards for senior citizens in several middle-income countries, see Developed Countries in this report.

Supply Arrangements by Type of Customer



- Product diversion, where not-for-profit medicines are illegally shipped back for sale in wealthier countries, undermines our ability to provide not-for-profit prices and denies treatment to the intended patients in poorer countries. We can only afford to supply products at low prices in the world's poorest countries if we can still make an adequate return on them in wealthier markets. We have introduced different packaging and tablet colours for many of our not-for-profit medicines to help prevent product diversion. Special tri-lingual 'access packs' are now approved for *Combivir*, *Epivir* and *Trizivir* in over 50 countries, and we are now receiving regulatory approvals for the red *Epivir* and *Combivir* tablets. GSK has nine ARVs registered under the EU's Anti-Diversion Regulation. We are the only company to have registered products under this Regulation.
- We have set up five pilot projects in collaboration with NGOs in Tanzania, Uganda, Nigeria, Zambia and Malawi to assess the impact of extending preferential pricing to a wider range of products. Initial results show that lack of healthcare capacity and infrastructure are major barriers. When capacity (for example the number of healthcare professionals) or funding is improved there is an increase in take up of preferentially-priced medicines. For example two of the pilot sites have received funding from the US President's Emergency Plan for AIDS Relief for the treatment of opportunistic infections. This has led to an increase in orders for antibiotics. A report on the findings from the pilots will be prepared at the end of 2005.

Eligibility for Not-for-Profit Prices

Our not-for-profit prices are available in over 100 countries. This includes all the Least Developed Countries (LDCs) and all of sub-Saharan Africa (SSA) – a total of 64 countries. In addition, all private employers in sub-Saharan Africa who provide care and treatment to their uninsured staff can purchase our ARVs at not-for-profit prices. The not-for-profit prices are also offered to all projects fully funded by the Global Fund and the 15 countries covered by the US President's Emergency Plan for AIDS Relief (PEPFAR).

We offer these prices where we believe the need is greatest. This is to governments, NGOs and agencies that are providing treatment on a not-for-profit basis in the poorest and worst affected countries. We also seek not-for-profit arrangements with individual countries to facilitate access for core public employees such as teachers, nurses, police and fire-fighters who are not covered by private health insurance schemes.

We negotiate prices with the private health sector on a case-by-case basis. We depend on revenues from sales to the private market to maintain a local presence and much-needed infrastructure in developing countries. Without this local capacity we would be unable to provide essential services such as training healthcare workers to use our products, product support, safety monitoring and registration and launch of new products.

Voluntary Licensing and Partnerships

Learn more about voluntary licensing in the website

Learn more about partnerships in the website

We want to play an active role in addressing the healthcare crisis in developing countries. We believe preferential pricing arrangements are the best way to do this because we are able to ensure delivery of a safe, quality product at an affordable price for as long as it is needed. This is where we focus our efforts. But in some situations partnerships and voluntary licences may also help to increase the supply of medicines.

Voluntary Licences

Voluntary licences (VL) enable local manufacturers to produce and sell generic versions of our products. GSK has granted six VLs for our antiretrovirals (ARVs) in Africa where HIV/AIDS is having a devastating impact. This is a creative response to a unique situation.

A decision to grant a VL depends on a number of factors including the severity of the HIV/AIDS epidemic in that country, local healthcare provision and the economic and manufacturing environment. VLs are not a universal solution to HIV/AIDS but a specific response to a particular set of circumstances.

We discuss VLs with potential partners on a case-by-case basis. Selecting the most appropriate licensees is key. We need to be sure that the manufacturer will be able to provide a long-term supply of good-quality medicines and will implement safeguards to prevent the diversion of medicines to wealthier markets. (See Preferential Pricing in the website).

We do not seek to prevent voluntary licence holders from combining the active ingredients they have licensed from us with other licensed active ingredients to produce Fixed Dose Combinations. They can also use the US Food and Drug Administration's fast track approval process for ARVs to accelerate the availability of generic ARVs for PEPFAR programmes in Africa.

There has been much discussion about the use of compulsory licences, under which intellectual property rights are taken away from rights holders. Compulsory licenses are one of the flexibilities in the World Trade Organisation's TRIPs agreement on intellectual property, which can be used for humanitarian purposes. However, widespread use of compulsory licences will undermine the intellectual property framework and be counter-productive in the long term. R&D into new treatments, especially where commercial markets exist, such as for HIV/AIDS, depends on protection for intellectual property.

Progress in 2004

- GSK granted five VLs in 2004, four in South Africa and one in Kenya.
- We have now granted a total of five VLs to South African generics companies for the sale of some of our antiretrovirals² to public and private sector customers in South Africa. Three of these VLs also include rights to sell in other countries in sub-Saharan Africa.
- In 2004 we granted a similar VL to Cosmos, a Kenyan pharmaceutical company, for manufacture and sale in Kenya and other countries in East Africa.

Partnerships

HIV treatment is complex, often requiring patients to take a combination of different tablets at different times of the day. This increases the risk of patients missing a dose or taking their medicine at the wrong time, which can reduce the effectiveness of treatment.

In July 2004, GSK and Boehringer Ingelheim (BI) agreed to assess the development of co-packaging for *Combivir* and *Viramune* (BI's HIV treatment sometimes used in conjunction with GSK ARVs) for use in developing countries. Given the complexities of HIV treatment, we recognise the need for multiple treatment options and support efforts to simplify treatment regimens. Aspen Pharmacare is developing the combined pack through the voluntary licences granted by both GSK and BI.

² lamivudine, zidovudine, and the combination containing lamivudine and zidovudine.

Developed World

Learn more about Patient Assistance Programs in the website

Access to medicines is not just an issue for the developing world. Even in developed countries some patients cannot afford the medicines they need. This is a particular problem in the US where many people do not have health insurance. GSK has developed Patient Assistance Programs and discount cards in the US to help patients without insurance.

We are also introducing discount cards in several middle-income countries to enable qualifying patients to obtain prescription medicines at a discount price

Programmes in the US

Patient Assistance Programs provide prescription medicines to low-income, uninsured patients free or at minimal cost. GSK operates two Patient Assistance Programs. Commitment to Access covers cancer treatments; Bridges to Access covers other medicines for outpatients. Patients are registered through one phone call from a patient advocate and receive medicine at their local pharmacy or by mail order. In 2004, 475,000 patients received GSK medicines worth \$372.5 million through these programs (based on the wholesale acquisition cost (WAC) of these medicines).

GSK was the first pharmaceutical company in the US to offer a card providing savings on medicines to low-income senior citizens and disabled people. Known as the *Orange Card* this enables these people to buy GSK outpatient prescription medicines at a discount. Introduced in 2001, the *Orange Card* provides savings of up to 40%. In 2004, 37,319 patients, received 73,740 prescriptions. This resulted in WAC savings of \$2.9 million for patients.

In 2002, GSK and six other pharmaceutical companies established the *Together Rx* card which provides discounts on over 155 prescription medicines for low-income senior citizens who are eligible for Medicare. In 2004, over 190,000 patients received 683,364 GSK medicines through this programme, saving \$12.3 million (based on WAC).

In January 2005, GSK and nine other pharmaceutical companies created a new card to improve access to medicines for other uninsured Americans, not just seniors. The *Together Rx Access* card provides savings of 25-40% on more than 275 medicines. Approximately 36 million people, around 80% of uninsured people in the US, are eligible to enrol.

We also offer discounts on our prescription medicines through cards launched by the Centers for Medicare & Medicaid Services, a US government agency, in 2004.

Orange Cards in Middle Income Countries

During 2004 we introduced *Orange Cards* providing discounts on certain GSK prescription medicines for eligible patients in Bulgaria, Lithuania, and Ukraine.

The nature of the discounts varies between countries, depending on the needs of the patient and the way in which the healthcare system operates.

Our *Orange Card* in the Ukraine gives all asthma and chronic obstructive pulmonary disease patients who are under 25 or over 50, an average discount of 19% on GSK's *Seretide* asthma medicine. Asthma patients of any age who suffer disabilities or who are affected by the Chernobyl nuclear disaster are also eligible. Eligibility is assessed by the patient's doctor and patients can receive the medicine at participating pharmacies. A hotline number has been set up to help patients find their nearest pharmacy, and so far 1,100 patients are enrolled.

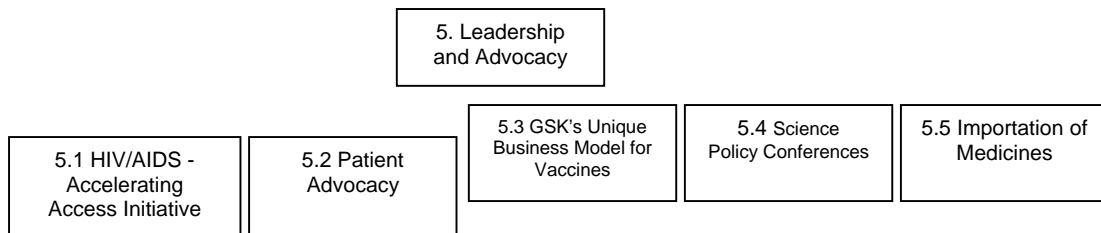
In Lithuania, patients must pay towards the costs of their medicines. This is known as patient co-payment. Our *Orange Card* gives senior citizens an average discount of 40% on the patient co-payment on all GSK prescription medicines. By February 2005 more than 3,500 patients had applied for an *Orange Card* and 107 pharmacies had registered to participate. (see *Improving Access to Medicine in Lithuania case study*)

A GSK *Orange Card* was also introduced in Bulgaria in May 2004 for low-income patients with chronic diseases such as asthma, chronic obstructive pulmonary disease and diabetes. Card holders receive an average 35% discount on four GSK prescription medicines, and over 16,000 patients have registered so far.

Summary of GSK Discount Programmes

Country	GSK programme	Number of patients	Value of benefit to patients
US	Patient Assistance Programmes - Free or minimal cost medicines for low-income, uninsured patients.	475,000 received prescriptions	\$372.5 million
US	Orange Card - Discounts for low income senior citizens and disabled people.	37,000 received prescriptions	\$2.9 million
US	Together Rx - Discounts for low income senior citizens. Joint industry programme.	190,000 received prescriptions	\$12.3 million
US	Together Rx Access - Discounts for all low-income uninsured patients. Joint industry programme.	N/a	Launched in 2004
Bulgaria	Orange Card - Discounts for low-income patients with chronic diseases.	16,000 enrolled	Launched in 2004
Lithuania	Orange Card - Discounts for senior citizens.	3,500 enrolled	Launched in 2004
Ukraine	Orange Card - Discounts on asthma medicine for patients under 25 or over 50.	1,100 enrolled	Launched in 2004

LEADERSHIP & ADVOCACY



Leadership 5

Leadership and Advocacy

Corporate responsibility principle

We will establish our own challenging standards in corporate responsibility, appropriate to the complexities and specific needs of our business, building on external guidelines and experience. We will share best practice and seek to influence others, while remaining competitive in order to sustain our business.

As a multi-national company we can use our influence and resources to address social issues and bring people together around a common cause. In some areas we can take a lead. For other issues, coordinated and sustained action by a group of stakeholders is required.

GSK participates in and leads several such partnerships. This section highlights five examples and gives a flavour of the wide range of projects we contribute to.

Further examples are featured throughout this report and the Corporate Responsibility section of this website and in our Media Room.

HIV/AIDS – Accelerating Access Initiative

GSK is a founder member of the Accelerating Access Initiative (AAI) formed in May 2000 as a Public Private Partnership between seven R&D based companies and five UN organisations (UNAIDS, WHO, WB, UNICEF and UNFPA)

The objectives of the AAI are to:

- Accelerate sustained access and increase use of appropriate, good quality interventions for the prevention, treatment of HIV/AIDS
- Ensure that care and treatment reach significantly greater numbers of people in need, through new alliances involving committed governments, private industry, the UN, development assistance agencies, non-governmental organisations and people living with HIV/AIDS.

Data released in January 2005 by the AAI estimated that the number of patients in developing countries receiving ARV treatments supplied by the pharmaceutical companies in the AAI reached more than 333,000 by the end of September 2004. This includes 157,500 patients in Africa, a 50% increase since September 2003.

This increase is encouraging but much more needs to be done. The AAI companies are committed to working together to accelerate these trends and bring the benefits of HIV care and treatment to those in need. We will continue to work closely with affected communities, non-governmental organisations, the medical community, governments and multilateral organisations to improve existing initiatives and identify new opportunities.

GSK held the chairmanship of the AAI during 2004 and coordinated a process to review the initiative and ensure that it is as effective as possible in the fight against HIV/AIDS in developing countries.

Patient Advocacy

Patient advocacy groups provide their members with support and information on how to live with their disease, represent patient views and lobby on issues affecting patients' interests. They are an important stakeholder for GSK and we engage with them as part of our aim to be a patient-focused company.

Our annual Patient Advocacy Leadership Summit (PALS) is one of the ways we do this. The summit includes a forum for patient groups to learn more about GSK and tell us how we can better support their work. There are a range of workshops for attendees including sessions on media training and sharing best practice. Throughout the summit attendees receive information on GSK patient programmes, such as our *Orange Card* or disease management programmes.

In 2004, PALS was extended from the US to include patient groups worldwide. Over 400 people attended from 23 countries. Attendees represented 233 different advocacy organisations including those dedicated to mental health, HIV/AIDS, respiratory diseases, epilepsy, cancer, bone and joint diseases and diabetes.

Feedback from the event was very positive. For example 90% of attendees from Europe felt the event had been either an excellent or a good investment of their time. It also highlighted the key priorities for patients – more R&D, better information about their disease and access to the best available treatment.

GSK has a dedicated Global Advocacy Team which contributes to planning PALS and co-ordinates our interaction with patient groups. We have developed a code of conduct to guide our work with patient groups and a Patient Advocacy Manual of best practice for employees. This work is part of a company-wide effort. Other initiatives include 'Focus on the Patient' in R&D (see Focus on the Patient in the website for more information).

GSK's Unique Business Model for Vaccines

GSK's new rotavirus vaccine, *Rotarix*, received its first launch in Mexico in January 2005. As well as Mexico, *Rotarix* will be launched in other Latin American countries during 2005 and soon after in Asia Pacific countries. It has already been submitted for regulatory approval in more than 20 countries worldwide.

Rotavirus infection is the leading cause of severe diarrhoea and vomiting (gastroenteritis) in children under two. It affects children all over the world but is rarely fatal in developed countries. However in developing countries around 600,000 children die from rotavirus each year.

This is the first time that a major pharmaceutical company has focused the clinical and regulatory strategy for a vaccine first on a region of the world other than the European Union or US. The launch is part of GSK's unique strategy to deliver vaccines first to people with the greatest medical need.

"GSK has a solid track record of providing vaccines globally for more than 20 years and is constantly developing novel and unique approaches to ensure new vaccines get to those areas of the world who need them most as fast as possible", said Jean St ephenne, President and General Manager of GSK Biologicals. "In the case of *Rotarix*, we focused our clinical and regulatory strategy first on countries where the medical need for a rotavirus vaccine was one of the highest in the world."

Rotarix was tested in the largest phase III clinical trial ever performed for a vaccine. It involved 70,000 children, mostly in Latin America and Asia but also in US and Europe.

Science Policy Conferences

GSK R&D is sponsoring a series of annual science policy conferences in the UK on issues relating to the conduct of pharmaceutical and biomedical research. The aim is to promote discussion and dialogue between key stakeholders including policy makers, regulators, pharmaceutical companies, scientists, doctors and patient groups.

The first conference took place in 2003 and was organised in conjunction with the Department of Health and the National Institute for Clinical Excellence. It focused on how medicines are evaluated by regulators, pharmaceutical companies, patients and other stakeholders and looked at how the current system could be improved to address medical needs more effectively. It highlighted a potentially important role for the NHS as a source of research data for evaluating medicines in clinical practice.

In 2004 the conference was organised with the Department of Health and the Academy of Medical Sciences. It looked at issues influencing the quality of clinical research in the UK including the regulatory framework, funding mechanisms, the provision of infrastructure and the importance of adequate career development and training provisions. It highlighted actions needed to improve clinical research for the benefit of patients, for example, the need to increase patient involvement by putting more information on clinical research into the public domain.

Importation of Medicines

The price of brand name prescription drugs is often lower in other countries than in the US. For this reason, some people in the US have started to buy prescription drugs from abroad, often over the internet. The US Food and Drug Administration (FDA), which has not approved the drugs that foreign vendors offer for sale to Americans, has warned that this is illegal and unsafe.

GSK has consistently opposed this practice because of the increased safety risks to patients. Our view of the risks was confirmed in 2004 by a report from the Department of Health and Human Services (HHS) Task Force on Drug Importation, chaired by the Surgeon General Richard H. Carmona. The task force looked at safety issues around illegal drug importation and the potential for cost savings to be made if the practice were made legal. The full report can be found online at <http://www.hhs.gov/importtaskforce/>.

According to the report, drugs imported by consumers come into the US from a wide range of countries. These drugs are typically not approved by the FDA and may fail to conform in many aspects to the FDA-approved drugs available in the US. Specifically, the report found that, "Importation increases the opportunities for counterfeit and other substandard drugs to enter and be dispersed into the US drug distribution system... American consumers currently purchasing drugs from overseas are generally doing so at significant risk."

The Task Force concluded that it would be "extraordinarily difficult" to ensure that drugs imported by individual consumers meet the necessary standards for safety certification. Noting that the FDA does not have sufficient resource now to ensure the safety of personally imported drugs, the Report concludes that, "There is no realistic level of resources that could ensure that personally imported drugs are adequately inspected to assure their safety since visual inspection, testing and oversight of all personally imported prescription drugs are not feasible or practical at this time."

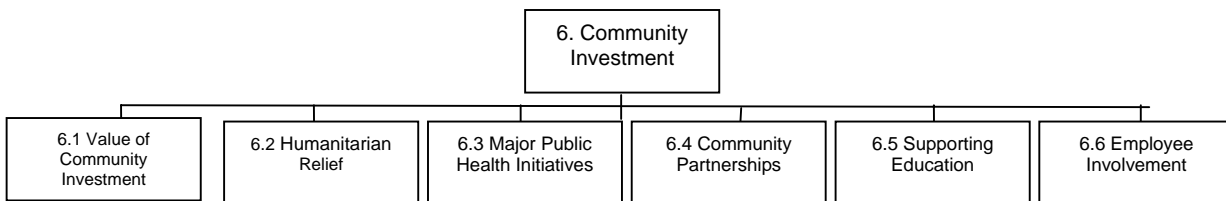
The Task Force report states that there are a number of new anti-counterfeiting technologies in development that, once they are universally adopted, may provide assurance on the safety and authenticity of prescription medicines. However it noted that, "widespread adoption of authentication technologies, while theoretically able to secure the US drug supply, is a daunting task that could raise the cost of imported drugs thereby reducing any expected savings from importation".

The report concludes that the cost of carrying out safety checks on imported medicine, and profits going to middlemen, would in large part offset the potential savings from differences in prevailing prices. Based on an analysis of actual data on drug prices and volumes, the Task Force found that, "Total savings to drug buyers from legalised commercial importation would be one to two percent of total drug spending and much less than international price

comparisons might suggest. The savings going directly to individuals would be less than one per cent of total spending. Most of the savings would likely go to third party payers, such as insurance companies and HMOs.”

The report findings have confirmed our view that patients should stick to trusted methods for saving money on approved medicines, such as savings cards, that are legal and safe. GSK is sensitive to patients’ concerns over costs and the lack of prescription drug coverage for the uninsured in the US. That is why we led the industry in establishing the first prescription savings card – the *Orange Card* - and are a founding member of the *Together Rx* programme.

COMMUNITY INVESTMENT



Community 6

Community Investment

Corporate responsibility principle

We will make a positive contribution to the communities in which we operate, and will invest in health and education programmes and partnerships that aim to bring sustainable improvements to under-served people in the developed and developing world.

This section explains how we invest in communities. For information on our support for developing countries through preferential pricing and voluntary licensing see: [Access to medicines](#) in the website.

Learn more about Community investment in the website

GSK provides money, medicines, time and equipment to help improve health and education in under-served communities. We support public health initiatives and local community projects around the world and donate medicines to support disaster relief efforts and impoverished communities.

In 2004 our total community investment was valued at £328 million (\$600 million), equivalent to 5.4% of pre-tax profits. Donations are made by our corporate contribution committees at group level and by individual GSK sites to support local communities.

This section provides information on the programmes we supported in 2004. It covers:

- A breakdown of our charitable donations in 2004
- Donations of medicines for humanitarian purposes
- Major health initiatives in developing countries to tackle lymphatic filariasis (LF), HIV/AIDS, malaria, and diarrhoea-related disease
- Community partnerships – local support provided at corporate level and by GSK sites
- Our support for science education in the US and UK
- How GSK employees are involved in our community investment

We received a range of awards for our community investment activities during 2004, including:

- GSK was a finalist at the Committee to Encourage Corporate Philanthropy awards
- PHASE was one of 10 winners at the World Business Awards organised by the UN Development Program, International Chamber of Commerce and International Business Leaders Forum for projects supporting the Millennium Development Goals
- Disease Prevention and Education award for our PHASE project in the Pharmaceutical Achievement Awards
- Runner up for Business in the Community's European Impact Award for our work with Barretstown
- Science Across the World, one of our business-education partnerships, received The Conference Board of Canada and International Partnership Network's Global Best and European Language awards.

Case study

Tackling Poverty and Malaria in West Africa

We've known for 100 years that mosquitoes spread the malaria parasite, yet only now is this information causing a quiet revolution in West African villages.

Credit with Education, an initiative by Freedom from Hunger, aims to break the cycle of poverty and ill health by providing financial services and education for poor women. GSK's African Malaria Partnership is funding a new malaria education programme as part of this project.

Burkina Faso, one of the poorest countries in the world, is benefiting. Poor women in rural areas can access small loans, savings facilities and other financial services by joining their village credit association. They meet regularly to make loan repayments and learn about issues from basic business skills to child nutrition and family planning. Malaria prevention and treatment is a recent addition.

It is estimated that in Africa a child dies from malaria every 30 seconds but many people are unaware that malaria is spread by mosquitoes feeding at night. The malaria education teaches women how to prevent infection by using insecticide-treated bednets, and to recognise early signs of malaria.

Kiswenside is one woman who has benefited. She trades soap and clothing and through the credit association was able to save part of her weekly income to purchase an insecticide-treated bednet. "Now even though it is very hot, we accept that we must sleep under a net. I feel a great satisfaction and a little pride that I can make positive changes in my life," she says.

The malaria education module is expected to reach half a million people by 2006 in six West African countries: Benin, Burkina Faso, Ghana, Mali, Togo and Senegal.

www.freefromhunger.org/malaria.html

Value of Community Investment

GSK donations were valued at £328 million (\$600 million) in 2004, and supported programmes in more than 100 countries. This is equivalent to 5.4% of pre-tax profits.

This figure includes medicines worth £203.5 million (\$372 million) donated to low-income patients in the US through our Patient Assistance Programs, and £50 million (\$92 million) of humanitarian product donations for under-served communities around the world.

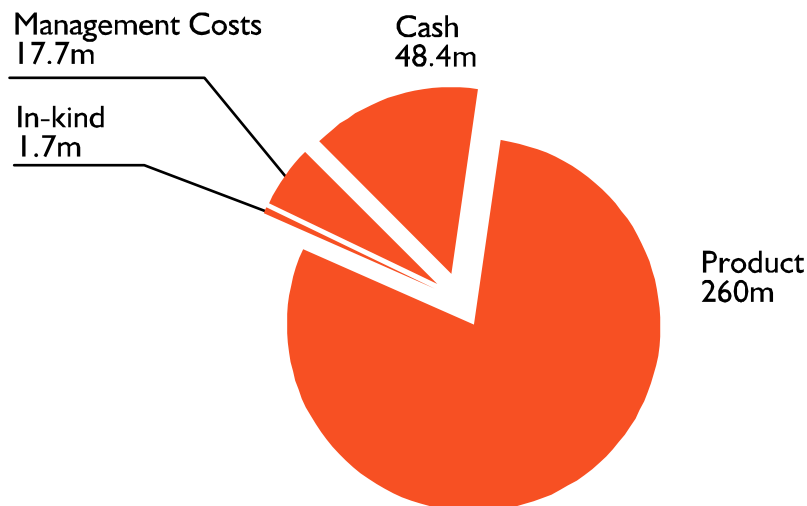
Product donations are valued at wholesale acquisition cost. This is the wholesale list price, not including discounts, which is the standard pharmaceutical industry method for valuing product donations.

Our total community investment also includes £17.7 million (\$32 million) in management costs and £48.4 million (\$89 million) in cash grants.

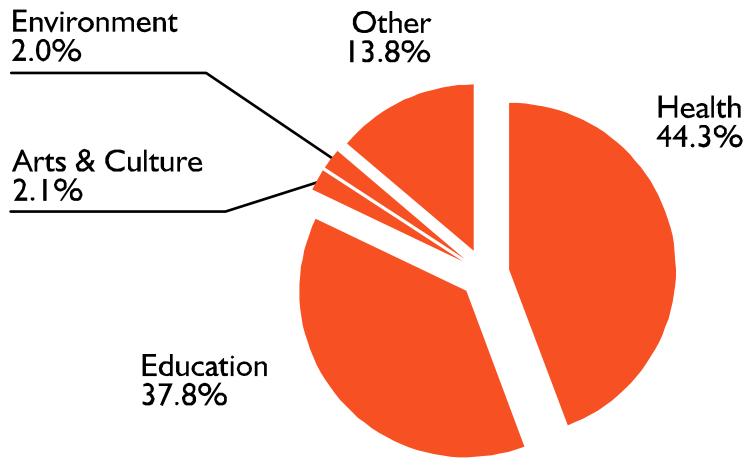
GSK is a member of the UK's Percent Club for companies which donate at least 1% of their pre-tax profits to charitable causes. GSK is regularly one of the top companies in the UK's Guardian Giving List which lists FTSE 100 companies by the percentage of pre-tax profits contributed to charitable causes.

Method of giving - total £328m

(£ million)



Breakdown of cash giving - total £48.4m



We are members of the UK's London Benchmarking Group (LBG) and the Committee to Encourage Corporate Philanthropy (CECP) in the US. We report our donations in line with the guidelines set by the CECP, which values our medicines at wholesale acquisition cost, in line with other pharmaceutical companies.

Humanitarian Relief

[Link to updated stories in the website](#)

GSK donates essential products, such as antibiotics, to help humanitarian relief efforts in disaster zones and to support basic healthcare provision for impoverished communities.

Donations are made at the request of governments and major charitable organisations and may be manufactured specifically for these partners.

GSK works in partnership with relief charities that have experience in delivering humanitarian aid, including AmeriCares, Direct Relief, InterChurch Medical Assistance, MAP International and Project HOPE.

Activity During 2004

During 2004 we donated life-saving medicines to support relief efforts in over 100 countries. Immediate supplies of antibiotics and basic medicines were sent in response to the devastating tsunami in South East Asia, severe flooding in Bangladesh, the humanitarian crisis in Sudan and the hurricanes which affected Central America, the Caribbean and the US.

We donated more than 3.6 million doses of antibiotics and 600,000 vials of vaccines to prevent the spread of infectious diseases in countries affected by the tsunami. We have also committed £2 million (\$3.7 million) to support organisations working on relief operations in the disaster area.

The total value of our humanitarian product donations in 2004 was £50 million (\$92 million), based on wholesale acquisition cost. The amount supplied each year varies according to demand.

GSK is a member of the Partnership for Quality Medical Donations (PQMD), an alliance of pharmaceutical companies and humanitarian agencies that works to encourage the donation and timely delivery of appropriate medicines to people in need. GSK follows the WHO guidelines for product donations.

In 2005 we will continue our product donation programme for humanitarian relief though the amount of product made available varies each year in response to both variable demand and availability of product.

Major Public Health Initiatives

Learn more about major public health initiatives in the website

GSK supports public health initiatives in developing countries through donations of medicines, financial and practical support.

We focus on efforts to tackle three major diseases – lymphatic filariasis (LF or elephantiasis), HIV/AIDS and malaria - as well as our PHASE education programme to reduce diarrhoea-related disease.

Progress During 2004

Eliminating Lymphatic Filariasis (LF)

Learn more about eliminating LF in the website

GSK is a founding partner in the Global Alliance to Eliminate LF (<http://www.filariasis.org/>). LF is a disfiguring disease prevalent in tropical countries and one of the world's leading causes of permanent disability.

The Global Alliance is a partnership between pharmaceutical companies, the World Health Organisation, Ministries of Health, NGOs and community organisations, aiming to totally eliminate LF by 2020.

We have committed to provide as many doses of albendazole, our anti-parasitic drug used to prevent transmission of LF, as are needed to treat the one billion people at risk in 80 countries.

In 2004 we donated 67 million albendazole treatments, worth £7 million (\$13 million), valued at wholesale prices, to 34 countries. Demand from some countries was lower than anticipated in 2004 due to problems extending programmes to new regions. We have donated 307 million albendazole treatments since 1998 and over 85 million people have benefited from this programme.

We also gave £1 million (\$1.8 million) in grants during 2004 to support the Global Alliance to Eliminate LF and a team of dedicated GSK employees helps in its advocacy, research, community mobilisation and education initiatives.

The rate of LF infection has already dropped in many participating countries. For example, Egypt began a nationwide campaign to eliminate LF in 2000. Since then 2.4 million people have received treatment, over 90% of those at risk of infection. Infection rates have fallen dramatically over the same period. During 2005 the Egyptian government will be evaluating the impact of the programme to decide whether to continue the preventative treatment campaign. During 2004 we expanded our manufacturing site in Cape Town, South Africa, to produce albendazole tablets and help us deliver enough

treatments to support elimination efforts in all at-risk countries. This facility is expected to start producing albendazole for Africa in 2005.

Positive Action on HIV/AIDS

Learn more about Positive Action in the website

GSK provides HIV/AIDS medicines at preferential prices to developing countries (see Access to Medicines in the website).

We also support communities affected by HIV/AIDS through Positive Action, part of our community investment. Set up in 1992 Positive Action recognises that the involvement of people affected by HIV and AIDS is a key element in helping control the HIV pandemic. During 2004 Positive Action supported 32 programmes in 35 countries in partnership with 23 community organisations.

The impact of HIV/AIDS is exacerbated by HIV/AIDS-related stigma and discrimination – a major barrier to people accessing healthcare. Positive Action seeks to strengthen the responses of and promote access to care and treatment for the most vulnerable communities affected by HIV/AIDS. One example was a grant of £115,000 (\$210,000) to enable people living with HIV/AIDS and community leaders to attend the 15th International AIDS Conference in Bangkok, Thailand. This was an important opportunity for community organisations to share experiences and ideas and participate in technical workshops to build skills and improve AIDS services in their home countries. Such conferences provide a platform for community representatives to voice the needs of their home countries and to champion equitable rights and access to healthcare for people living with HIV/AIDS.

We expanded Positive Action during 2004 to new countries in Latin America, Asia, and central and Eastern Europe, in response to growing rates of HIV infection in these areas.

This included seed funding to establish AIDS Action Europe (AAE), a new pan-European HIV organisation. This consortium will help to mobilise resources for the fight against HIV and support new awareness and prevention campaigns, particularly in countries that have recently joined the European Union.

In Latin America, we extended Positive Action to Bolivia, Argentina and Peru, building on our successful programmes in other Latin American countries. These programmes provide at-risk communities with accurate and up-to-date information on HIV/AIDS and healthcare rights.

We also launched Positive Action at Work with the National AIDS Trust, UK, and the Kenya HIV/AIDS Business Council to help businesses develop education and awareness programmes to prevent discrimination and help support employees affected by HIV/AIDS.

GSK's African Malaria Partnership

Learn more about GSK's African Malaria Partnership in the website

Our African Malaria Partnership is supporting education and behaviour change programmes in eight African countries, through partnerships with three non profit organisations - Freedom from Hunger, AMREF (African Medical and Research Foundation) and Plan International.

GSK is investing \$1.5 million (£820,000) in the African Malaria Partnership over three years. This is expected to benefit two million people by encouraging effective prevention and prompt treatment, particularly among children and pregnant women.

One of the programmes supported through the partnership is the Credit with Education programme, which provides small loans, business and health education to very poor women. During 2004, Senegal was added to the five West African countries already participating in the programme. See Tackling Poverty and Malaria in West Africa in the website for more information.

In 2005 we intend to continue support for community-based malaria education and behaviour change programmes.

Personal Hygiene & Sanitation Education (PHASE)

Learn more about PHASE

Every year more than two million people die of diarrhoea-related disease, mostly children in developing countries. These deaths can often be easily prevented through better handwashing and sanitation.

PHASE is an education programme helping to reduce diarrhoea-related disease by encouraging school children to wash their hands. GSK established PHASE in 1998 and has invested £1.5 million (\$2.7 million) in the programme. PHASE is run in partnership with AMREF and Plan International - as well as Ministries of Health and Education.

PHASE currently operates in five countries – Kenya, Uganda, Zambia, Nicaragua and Peru - reaching more than 300,000 children and their extended families. The programme has had impressive results. For example, studies show that diarrhoea rates have fallen by 40% following the introduction of PHASE to schools in the Kenyan community of Ongiello.

In 2004 the Group committed three-year funding of £226,000 (\$414,000) to extend the programme into Uganda in partnership with the Ministry of Health and AMREF.

GSK has convened a PHASE steering committee with representatives from the countries and partners involved to identify new partners and help expand the programme into new countries.

Community Partnerships

Learn more about community partnerships in the website

We support a wide range of health and education initiatives in the communities where we operate. Donations are made centrally and by GSK sites to support local charities and good causes.

Below are just a few examples of the many community partnerships we supported in our four main regions during 2004.

Europe

Barretstown in Ireland and L'Envol in France are residential camps where seriously ill children can have fun and develop their self confidence. GSK gave £250,000 (\$458,000) and £100,000 (\$183,000) respectively, to support the camps in 2004. Employees also give their time to Barretstown and L'Envol – with over 40 GSK employees participating in 2004.

Three new European programmes were launched, each receiving a grant of £300,000 (\$549,000) over three years. These were:

- Change in Advance, a disease prevention programme that promotes healthy eating and exercise, aimed at Slovakian children living on urban housing estates
- a programme in Spain that provides healthcare for homeless and abandoned children
- Multi Coloured Lives, an interactive education programme to help children with disabilities integrate into Russian society

International

GSK contributed £100,000 (\$183,000) to the Integrated Management of Childhood Illnesses (IMCI) initiative in Ethiopia, in partnership with WHO and UNICEF. IMCI aims to reduce childhood deaths from preventable and treatable conditions such as pneumonia, diarrhoea, malaria, measles, and malnutrition. It helps families to improve the health of their children through better nutrition and healthcare.

In Vietnam GSK is supporting the '500 Ethnic Midwives' initiative with \$335,000 (£183,000) in funding. The funding is being used to build a training centre where 500 women from Vietnam's ethnic minority groups will become trained midwives. People from ethnic communities often live in poor rural areas where there is little access to healthcare services. The new midwives will play an important role helping to improve mother and child health in their home towns.

UK

GSK supports over 70 charitable organisations in the UK. In 2004 this included over £500,000 (\$915,000) to support medical research undertaken by the charities Breakthrough Breast Cancer, Cystic Fibrosis Trust, DEBRA, Ehlers-Danlos Support Group and the Motor Neurone Disease Association.

A GSK grant of £386,000 (\$706,000) over two years will support the British Lung Foundation's Baby Breathe Easy programme. It will fund a pilot scheme which will be run in nine regions across the UK supporting parents and carers of young babies and children under five in dealing with diagnosed and undiagnosed recurring chest problems.

US

GSK is donating \$350,000 (£191,000) over three years to the Arthur Ashe Institute for Urban Health. The Institute provides health education for low-income neighbourhoods in non-traditional venues, including African American and Afro-Caribbean churches, barber shops, beauty salons, laundromats and tattoo parlours. It provides information in English and Spanish to help promote early disease detection and encourage people in multi-ethnic communities to adopt healthier lifestyles.

We continued our support for the Children's Health Fund's Referral Management Initiative (RMI). A three-year grant of more than \$2 million (£1.1 million) is helping the RMI expand into seven US states, helping high-risk and homeless children receive the specialist medical care they need.

Foundations

GSK does not operate a single charitable foundation for its community investment programmes but has a number of small country-based foundations in Canada, Czech Republic, France, Italy, Romania, Spain, and North Carolina in the US. Our local foundations support a wide range of charities and healthcare initiatives.

Over the last six years, the GSK France Foundation has supported a number of programmes in 12 African countries and Cambodia to improve HIV/AIDS prevention education, training and care. By 2005 over 270,000 people are expected to have benefited.

The GSK Foundation in Canada focuses much of its support on hospice care helping terminally ill patients and their families. The Foundation is also supporting community programmes in Africa, including the extension of the PHASE project into Uganda.

The North Carolina GSK Foundation in the USA is an endowed, self-funding organisation. It supports initiatives in the areas of mathematics, science and health education in North Carolina. In 2004, this Foundation awarded grants totalling \$2.8 million (£1.5 million).

Supporting Education

GSK supports education in the UK and US with a particular emphasis on developing scientific literacy and encouraging the next generation of scientists.

During 2004 our programmes focused on inspiring children to take an interest in science and improving science teaching.

Science Education in the UK

GSK is supporting the INSPIRE (INnovative Scheme for Post-doctoral researchers In Research and Education) scheme, developed in partnership with Imperial College London and the Specialist Schools Trust, with a £1 million (\$1.8 million) donation over four years. INSPIRE aims to raise achievement by placing post-doctoral researchers in specialist science schools to train as teachers and support science teaching.

We also gave £100,000 (\$183,000) to support Science Across the World, an international education programme that enables school children in more than 100 countries to discuss science issues over the internet.

Bio-Bubble is a giant, inflatable model of a human cell, developed by the Edinburgh International Science Festival and sponsored by GSK. During 2004, the Bio-Bubble toured schools across the UK with two science shows helping young people to learn about biology in a fun environment.

GSK has committed £1 million (\$1.8 million) over four years to help build the new Darwin Centre at the Natural History Museum in London, that will enable better display of the museum's important collection.

Education in the US

A three year grant of \$300,000 (£164,000) from GSK is helping the National Board for Professional Teaching Standards to increase the number of science teachers in the North Carolina and Philadelphia areas.

Science in the Summer, a free library-based science education programme in Philadelphia received a grant of \$365,000 (£199,000). Now in its 19th year, Science in the Summer has reached over 68,000 children.

Not all our support is focused on science education. We also provide more general support to help improve overall education standards. For example GSK gave a grant of \$129,000 (£70,000) to the Philadelphia Education Fund for the 'Middle Grade Matters' campaign to improve education for children aged 11-16.

Employee Involvement

GSK employees are encouraged to contribute to their local communities as volunteers.

Hundreds of employees give their time to good causes through our Days of Caring in the US, and to support science education to school children through our UK Science and Engineering Ambassador Scheme and US Partnership for Educational Discovery.

In September 2004 over 500 employees from six GSK sites in Germany gave their time to community projects as part of a new 'Orange Day' initiative. The volunteers gave practical support to over 60 projects. Activities included constructing a bowling course at an old people's home, painting rooms in a women's shelter, and helping a local charity develop a marketing and PR plan.

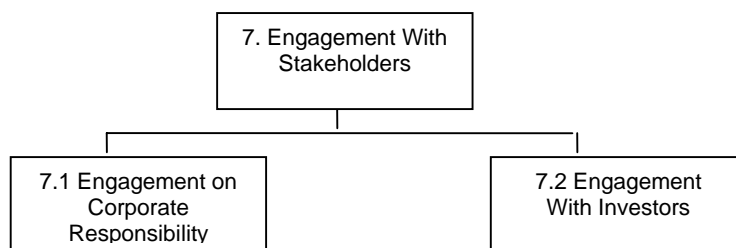
In the UK and US we also make cash donations to charities where employees have done voluntary work.

During 2004, our GSK Investment in Volunteer Excellence (GIVE) programme gave over \$350,000 (£191,000) to 700 charitable organisations in the USA where employees or their partners volunteered at least 50 hours during the year. In the UK our Making a Difference programme provided grants of £269,000 (\$492,000) to over 400 charities, based on employee involvement.

In many countries we also encourage employees to donate money to charity by matching the money they give or by providing tax-efficient ways for them to make a donation, in accordance with local taxation guidelines.

In 2004 in the USA, GSK matched donations by 15,800 employees and retirees at a value of over \$4million (£2.2 million). In addition, GSK gave \$1.3million (£710,000) to match donations by GSK employees through the GSK and United Way campaign: "One Spirit Caring, One Spirit Sharing".

ENGAGEMENT WITH STAKEHOLDERS



Engagement 7

Engagement With Stakeholders

Corporate responsibility principle

We want to understand the concerns of those with an interest in corporate responsibility issues. We will engage with a range of stakeholders and will communicate openly about how we are addressing CR issues, in ways that aim to meet the needs of different groups while allowing us to pursue legitimate business goals.

Engaging with the different groups that have an interest in the way GSK operates is an important part of responsible business practice. These stakeholders include employees, investors, patients, doctors, governments and NGOs. By listening to them and being open about our views and actions we can build trust and address their concerns.

Much of this discussion takes place in the normal course of business. For example our scientists meet regularly with academics, researchers and other pharmaceutical companies as part of their work. Through our access to medicine programmes and community investment we collaborate closely with NGOs, multilateral agencies, governments and community groups. More information is available on stakeholder consultation in the following sections: Access to Medicine, Animal Research, EHS Management, Leadership and Advocacy, and Suppliers in the website.

We interact with governments to give our views on policy issues affecting GSK and the pharmaceutical industry. We engage with governments directly or through membership of trade organisations, such as the Pharmaceutical Research and Manufacturers of America (PhRMA) and the Association of the British Pharmaceutical Industry (ABPI). Our size and global reach give us access to policy makers and we recognise that we need to use this responsibly to benefit patients and our business. More information on our approach to external relations is available at External Affairs in the website.

We also meet with some stakeholders specifically to discuss corporate responsibility issues. Their feedback informs our approach to managing and reporting on these subjects.

This section focuses on our CR engagement. It covers our activities in 2004 including:

- Our CR survey of key stakeholders
- Engagement with socially responsible investment analysts

Case study

Investor Briefing on R&D

Animal research is one of the issues that socially responsible investment analysts look at when evaluating pharmaceutical companies for inclusion in their investment funds. They need to be confident that there is robust justification for animal use, animal welfare is a high priority during research and that GSK is doing all it can to reduce, replace and refine the use of animals in research.

We welcome engagement on this issue and are keen to explain our approach. In April 2004 GSK held a briefing for 14 SRI analysts at our research facility in Harlow, UK. The aim was to illustrate the role of animals in research, explain that animal testing is a small but important part of the overall drug development process, and demonstrate our animal welfare standards.

The analysts visited the animal research laboratory at Harlow, saw the animals used in research and their accommodation and had the opportunity to question laboratory staff. They also visited the high throughput chemistry laboratories and viewed some of the new technology introduced to reduce animal testing such as the animal MRI scanner.

Feedback from the event was positive: “Not only did it usefully provide a clear insight into how the animals are cared for it also provided in depth information on the processes and work behind drug discovery and development,” said one SRI analyst.

For more information on our approach to animal research see Research and Innovation in the website.

Engagement on Corporate Responsibility

Dialogue with stakeholders allows us to understand their concerns and ideas and helps to set the strategic corporate responsibility agenda in GSK.

In 2004 we commissioned a survey of 50 opinion leaders in Europe, the UK and US. Participants included academics, CR organisations, customers, government agencies, investors, the media, multilateral agencies and NGOs.

The survey sought their views on our performance on social and ethical issues and our CR reporting. Environmental issues were not covered because they are addressed by a separate stakeholder panel.

The survey provided in-depth qualitative feedback but was not designed to produce statistics. The responses gave us a clear indication of how GSK is perceived and the areas that stakeholders consider important.

CR Survey Findings

The participants were asked to identify the key CR priorities for GSK and the four considered most material for GSK were:

- Access to medicines in the developing world
- Marketing ethics
- Clinical trials (how they are conducted and transparency of results)
- Access to medicines in developed countries

Access to Medicines

Access to medicines in developing countries was seen as the single most important issue. GSK was seen to be doing well in this area. Our programmes - preferential pricing, research into diseases of the developing world and community investment - were generally rated highly.

The issue of access to medicines in developed countries was a growing concern for many participants. There were positive and negative views on GSK's performance in this area. Generally participants felt that the pharmaceutical industry should be doing more to improve access for the poor in the developed world.

Ethical Issues

A number of participants raised issues about our business practices. The publicity associated with GSK's antidepressant *Paxil/Seroxat* increased concerns about marketing practices and the conduct of clinical trials and disclosure of results. Respondents would like to see these issues covered in more depth and how we are addressing them.

Animal research was also raised as an important issue for GSK and our stakeholders gave a positive response to our performance and reporting on

this issue. Interviewees liked the level of disclosure and the reasoning given. See Animal Research in the website.

CR Reporting

Participants were asked to comment on our 2003 CR Report. It was felt that the report covered the material issues for GSK and they were positive about GSK's commitment to annual CR reporting.

The majority of stakeholders thought GSK's reporting would be improved by increasing the number of performance indicators, providing information on future plans for key issues and increasing transparency by tackling controversial issues in a more direct way.

Many participants felt that our separate CR and Environment, Health and Safety (EHS) reports made it harder for them to assess our overall performance.

Several participants wanted to see more information on the impact of our access to medicine programmes, with clearer information on the scale of the health problems that our programmes are addressing.

Emerging Issues Over the Next 5-15 Years

Participants felt that access to medicines in developing countries will continue to be the biggest issue for GSK, but drug pricing in developed countries will come under greater scrutiny. Ethical issues around clinical trials, marketing, and R&D will also be significant.

How We Are Responding to Stakeholders

The stakeholder survey has provided us with useful feedback and we are grateful to all the opinion leaders for their views.

We have been able to respond to some feedback immediately. For example we have now fully integrated our EHS reporting into the Corporate Responsibility report. In this report we have increased the number of performance indicators. We will continue to review and add to them as appropriate in future reports, though it is important to remember that not all CR issues are amenable to numerical indicators or objectives.

We believe that our existing programmes in the two highest priority areas - access to medicines and ethics - are substantial and appropriate. We have improved access to clinical trial results with the launch of our clinical trial register in the website.

Sometimes we receive feedback and suggestions from stakeholders that we disagree with or are unable to accommodate without damaging the interests of the company and its shareholders. Where possible we explain the reasons for this, for example the need to use animals in research. We will continue to engage with stakeholders, particularly opinion leaders, to gauge the success of our CR programmes.

Engagement With Investors

Investors are taking a growing interest in the corporate responsibility performance of companies, both as a measure of the long term sustainability of the business and to decide which companies should be included in their Socially Responsible Investment (SRI) funds.

GSK provides information to these investors in a number of ways.

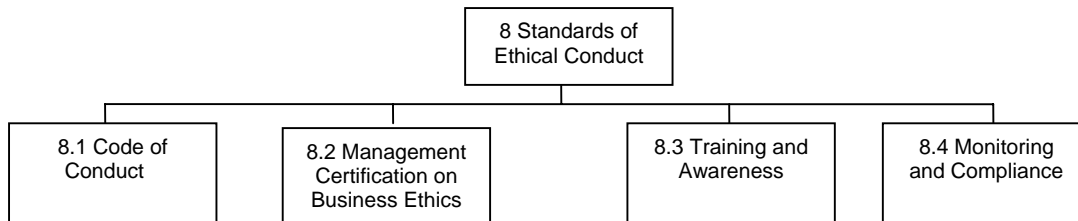
We meet regularly with SRI analysts to discuss CR issues and respond to their requests for information. During 2004 we had more than 40 meetings with these analysts and discussed issues including access to medicines, animal rights, supply chain, sales and marketing ethics and clinical trials.

We also held several events for SRI analysts to meet and discuss issues with senior management:

- our CR day for SRI analysts in London was attended by 28 analysts and 15 senior GSK managers
- 14 analysts visited our research laboratories in Harlow where they viewed the high throughput chemistry laboratory, the animal research laboratory and viewed some of the new technology introduced as part of our commitment to the 3Rs (see Investor Briefing on R&D in the website)
- 13 SRI and mainstream investors visited our Barnard Castle manufacturing site in the UK to find out about quality control and environmental initiatives.

Some investment and research organisations collect performance information via questionnaires. These are used to rate GSK's CR performance and to vet GSK for inclusion in CR indices. GSK is included in the FTSE4Good and Dow Jones Sustainability Indices.

STANDARDS OF ETHICAL CONDUCT



Ethics 8

Standards of Ethical Conduct

Corporate responsibility principle

We expect employees to meet high ethical standards in all aspects of our business, by conducting our activities with honesty and integrity, adhering to our corporate responsibility principles, and complying with applicable laws and regulations.

GSK products are important to the health of people around the world, so it is particularly important that we operate to high ethical standards, act responsibly and comply with the law.

GSK is fully committed to ensuring that all our business practices meet high standards and that our employees behave ethically and honestly. We have clear and comprehensive policies and procedures, backed by training and monitoring to help us do this.

This section explains our approach and our performance in 2004. It covers:

- Our Code of Conduct
- Management certification on business ethics
- Training and awareness programmes
- Monitoring and compliance systems

Information on ethical issues in sales and marketing is covered in Products and Customers in the website.

Case Study

Ethics Training for Administrative Staff

Business ethics is the responsibility of everyone at GSK, not just senior managers.

In July 2004 we held an ethics seminar for our administrative support staff at GSK House in London. The aim was to raise awareness of our Employee Guide to Business Conduct and show how ethics are relevant to administrative assistants -- for example, when they are handling budgets, dealing with suppliers and checking correspondence.

The seminar was organised by the GSK House Admin Community and presented by a senior vice president in our legal department. The session highlighted potential ethical concerns around gifts and entertainment, and was attended by 55 people.

A variety of situations were discussed where support staff might need to recognise an ethical dilemma and act with integrity. For example, assistants deal with post and will often be the first to see any letters reporting suspected misconduct. They need to deal with these letters promptly, forward them to the right people and treat them confidentially.

A similar ethics seminar is planned for US administrators during 2005.

Code of Conduct

Download the GSK Employee Guide to Business Conduct in the website

Our Employee Guide to Business Conduct contains the company policies that set out the standards of behaviour we expect from employees. It requires all employees to act with integrity, comply with the law, avoid conflicts of interest and report any violations or unethical behaviour.

Detailed guidance is provided, including real-life examples, on what constitutes acceptable or unacceptable behaviour. GSK employees have access to the guide via the company intranet. Our induction training familiarises new employees with business conduct standards and where they can obtain support and guidance.

Management Certification on Business Ethics

Commitment to our Code of Conduct is reinforced by an annual management certification programme. This requires our top managers to certify that they comply with the statement below. Certification documentation is managed electronically and is followed up to ensure completion. In 2004 over 9,600 managers completed the certification.

The full certification statement is reproduced below.

"I certify that:

- *I understand that GSK is committed to the principle of "Performance with Integrity," and in particular, to ensuring that its activities comply with all applicable laws.*
- *I have received a copy of or have access to the GSK Code of Conduct (POL-GSK-001) and other GSK corporate policies through the Corporate Policy Index page at <http://corp-ethics.gsk.com/Corporatepolicy.htm>*
- *I have read and understand The Employee Guide to Business Conduct, accessible at <http://corp-ethics.gsk.com/EmployeeGuide.htm>*
- *I have complied with applicable laws, regulations, and GSK corporate and local policies and procedures.*
- *All people under my supervision have received copies of or have access to the GSK Code of Conduct and other GSK policies and have been informed of their responsibilities.*
- *I have put in place appropriate measures to ensure that the people under my supervision comply with the laws, regulations, and GSK corporate and local policies and procedures while working on behalf of GSK.*
- *I understand my responsibility to promptly report any actual or suspected violations of the law, regulations, or GSK corporate and local policies and procedures.*
- *I have reported all actual or potential compliance issues of which I am aware concerning legal requirements or company policies.*

Exceptions (list any compliance issues that should have been reported previously but were not):"

Training and Awareness

We have training and awareness programmes to make sure employees understand our codes and policies, comply with the law and know what standards of behaviour are required.

Our global induction course includes training on our Code of Conduct. This ensures new employees understand the importance of ethical conduct from day one, know how to deal with potential dilemmas and know where to seek help. We provide additional training for employees who will be working in areas where there are particular concerns, such as sales and marketing and research and development in the website.

In addition, we provide training and workshops to keep employees up to date with changes and to reinforce key elements in GSK policies.

Progress During 2004

During 2004 over 50 training workshops were held in our International region and Japan (which includes all our operations outside Europe and the US). These covered a range of business ethics issues including conflicts of interest, competition law, corporate governance, gifts and entertainment, marketing practices, record keeping, and reporting legal or ethical concerns.

The workshops presented employees with examples of ethical dilemmas they could face in their work and asked them to consider how they would respond. Guidance was then provided to help people understand appropriate responses.

In R&D, an e-learning module entitled 'Performing with Integrity' was launched. At present, approximately 19,000 GSK employees are enrolled on the course and over 9,700 successfully completed it by the end of 2004. Performing with Integrity encompasses training on the Code of Conduct, Conflicts of Interest and Acceptance of Gifts and Entertainment by GSK employees.

Objectives for 2005

We plan to develop and deliver additional training on ethics and compliance. In particular we are developing training that reinforces employee obligations under the Employee Guide to Business Conduct and the risks associated with non-compliance. In 2005 we expect to develop and deliver this training course to staff in corporate functions (including Finance, HR, IT and Communications).

Monitoring

We monitor awareness of ethical issues and company policies through our Integrity Helplines, reporting channels and regular surveys.

As part of our commitment to continuous improvement, we benchmark our compliance programme against other major companies, our industry peers and government and regulatory standards.

Monitoring Awareness of Ethical Issues

Our Leadership Survey in 2004 included questions on business ethics. The survey was completed by over 9,500 managers and the results were encouraging:

- 91% of respondents felt that people in their department show commitment to performance with integrity
- 92% said they understood how the GSK Code of Conduct applied to their jobs
- 76% felt that they could report unethical practices without fear of reprisal.

These results help us to identify the areas we need to focus on. Where necessary we direct ethics training to the business units that scored lower than average on these questions.

GSK Corporate Ethics and Compliance function

GSK has a dedicated compliance function that works with the GSK business units to identify compliance issues and how to address them. In 2004 we increased the number of full-time compliance officers from four to eight. Compliance officers are all senior level managers, with direct access to the leadership teams of GSK functions. They are a source of expertise and a point of contact for anyone with a question on ethics or compliance with GSK policies.

Compliance officers are also responsible for defining the training needs of their section of the organisation and communicating the latest news, policies and legislation affecting GSK.

Reporting Concerns

Employees are encouraged to seek help and to report any concerns or suspected cases of misconduct. They can do this through their line management, a compliance officer, or through our confidential Integrity Helplines or offsite post office box.

The Helplines and post office box are promoted through the Employee Guide to Business Conduct, on the GSK intranet and during training. The Corporate Ethics and Compliance function is promoted as a source of information and

advice, as well as a mechanism for reporting concerns. Data from 2004 suggest employees understand this and see it as a useful source of advice and guidance. During 2004 there were 2,580 contacts with the compliance functions of which 75% were from employees seeking advice or information. The remaining 25% were from employees reporting suspected cases of misconduct.

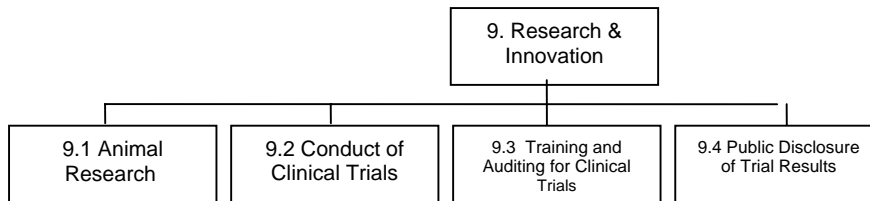
Addressing Misconduct

Our Corporate Ethics and Compliance department ensures that all allegations and suspected cases of misconduct are investigated. We are committed to taking firm steps to stop misconduct. Disciplinary action, up to and including dismissal, is taken where necessary.

Data on disciplinary actions have traditionally been collected and held by local human resources departments where it is of most operational value to the company. In 2004 we began to collate this information for the first time and have collected data from all our major business units (including Pharmaceuticals, Manufacturing, Corporate, Consumer Healthcare and R&D). We believe the data to be a reasonable reflection of 2004. During this process we identified ways to improve the categorisation of disciplinary actions and the mechanics of the data collation. This will improve the quality of data in future reports.

In 2004 there were 954 disciplinary actions taken as a result of investigations into allegations of misconduct. This included 256 dismissals and separations. Other disciplinary actions included verbal and written warnings, and in some cases, financial penalties. Employees staying with the company received re-training and increased monitoring.

RESEARCH & INNOVATION



Research 9

Research and Innovation

Corporate responsibility principle

In undertaking our research and in innovating:

- We may explore and apply new technologies. We will constructively engage stakeholders on any concerns that may arise.
- We will ensure that our products are subject to rigorous scientific evaluation and testing for safety, effectiveness and quality.
- We will comply with or exceed all regulations and legal standards applicable to the research and development of our products.

Research and development (R&D) of new medicines and vaccines is at the core of our business, and makes a significant contribution to society.

New drugs have brought huge benefits to the health and quality of life of millions of people over the last 100 years. But continued R&D remains as important as ever. There are still many serious, debilitating and life threatening illnesses for which there are no effective treatments or where treatments could be significantly improved.

In 2004 we invested £2.8 billion (\$5.1 billion) in R&D. Nearly 15,000 people work in R&D at GSK.

There are many ethical concerns relating to biomedical and pharmaceutical research - from the use of new technologies to the objective reporting of clinical trial results. GSK is committed to the highest ethical and scientific standards in all our R&D work. This section explains our approach to animal research, the conduct of clinical trials and the public disclosure of clinical trial results. For information on our approach to new technologies see Ethical Issues in R&D in the website.

Case Study

Focus on the Patient

“Everything we do in Discovery Research can make a difference to patients – this is what motivates me,” explains Karen Lackey, Director of Systems Chemistry in Discovery Research.

Karen leads a group of 51 research chemists in the UK, US and Japan. They work at the beginning of the drug discovery pipeline, identifying and creating molecules that have the potential to become new treatments. In her previous role in the organisation, her chemistry team was involved in discovering the lapatinib molecule for use in breast cancer treatments which is now being tested in clinical trials.

Karen believes that the introduction of Centres of Excellence for Drug Discovery (CEDD) at GSK has had an important impact. CEDDs bring together a range of experts in a particular disease area to speed up the drug discovery process. “The way GSK R&D is set up helps us to prioritise our efforts and ensure that we discover the most effective medicines. Through the CEDDs, researchers have access to experts in all our main therapeutic areas. They evaluate every molecule for its value to patients and help us to identify which ones will have the most impact.”

Jill and Eric Wolford understand the importance of this better than most. In 1999 Jill was diagnosed with breast cancer and underwent nine months of intensive treatment including chemotherapy, radiation and stem cell transplants.

Now recovered and back at work as an Associate Director at GSK’s Global Clinical Operations North America, she and her husband Eric, also a GSK employee, are keen to talk about their experiences. They are meeting with R&D managers and leadership teams to talk about how Jill’s illness has shaped their attitudes to life and work.

This is part of GSK’s Focus on the Patient, an initiative that aims to reinforce a patient centred culture across R&D. Employees have the opportunity to hear from patients about their diseases, the GSK treatments that have helped them and the new medicines they need. One of the goals is to motivate employees by reminding them of the benefits they can bring to patients through their work.

Jill welcomes this initiative. “My father was a breast cancer survivor and I’m 99% sure I carry the breast cancer gene. So when I look at my kids I think ‘Please someone find a cure for breast cancer’. For every case report form there is a person, family and network of friends. We treat people not diseases and we need to remind ourselves of this the whole time.”

Animal Research

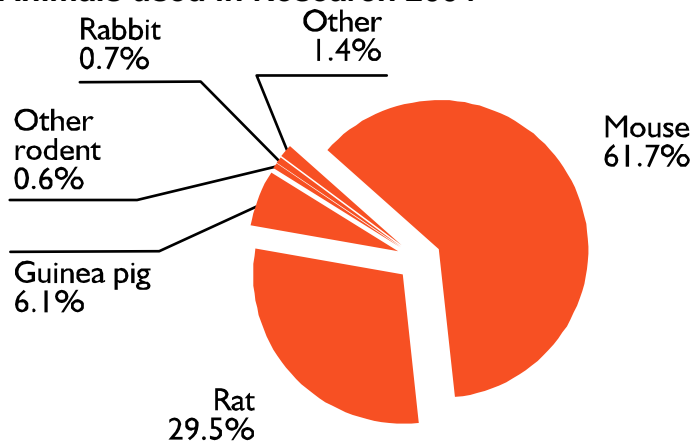
Learn more about animal research in the website

Animal research is essential to understand disease and to evaluate the safety and effectiveness of new medicines before they are given to people. Regulations require new medicines to be tested on animals before being tested on humans for safety reasons. Some vaccines have to be tested on animals each time a new batch is produced. We estimate that animal research accounts for around 5% of all GSK research expenditure.

GSK has 13 animal research laboratories in Europe, Japan and the US. Some research (around 7% of our total animal research) is conducted by external contractors on our behalf.

Over 98% of the animals used in our laboratories are rodents (such as rats, mice, guinea pigs) and rabbits. The remaining 2% includes fish, ferrets, pigs, dogs, cats and primates.

Animals used in Research 2004



The Three Rs

Our animal research laboratories are subject to strict internal and legal controls. GSK is committed to the 3Rs – **reduction, refinement and replacement** – and to achieving the highest standards of animal welfare.

The 3Rs commit us to: **reducing** the number of animals used in each study; **refining** studies to minimise pain and maximise the information obtained from each animal; and **replacing** animal studies with alternative methods wherever possible.

We provide extensive training on the 3Rs to all staff who are involved in the care and use of animals, and we have a number of initiatives to increase awareness of animal welfare. For example, we produce quarterly bulletins which review recently published journal and news items on these subjects. A UK-based 3Rs committee made up of GSK scientists, statisticians, senior managers, animal technicians and veterinarians encourages a 3Rs culture at

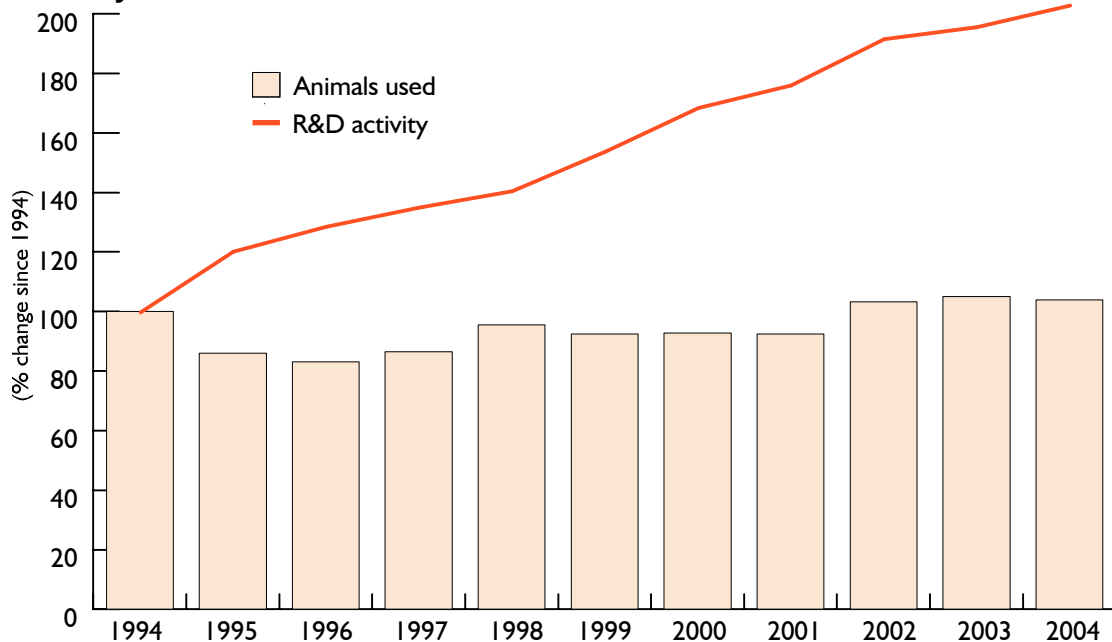
GSK through seminars and production and promotion of 'Recommended Practice' guidelines for scientific procedures and animal welfare.

Our Animal Welfare Awards encourage employees to find alternatives to animal research. The awards, presented twice a year by GSK's R&D Chairman, recognise employees who have made outstanding advances in implementing the 3Rs. In 2004 awards were made for: refinement of an animal model to discover new treatments for brain damage caused by strokes; innovative use of imaging systems to minimise animal use while accelerating drug development; use of computer-generated prediction models and cell and tissue cultures to replace animal testing.

In Europe, we also give a GSK Laboratory Animal Welfare each year to external researchers or laboratories for developing new techniques to implement the 3Rs. The prize this year was won for a project that promoted improvements in husbandry and housing for laboratory animals.

This approach is having an impact. Despite a significant increase in R&D activity since 1994 the number of animals used by GSK is broadly similar to ten years ago.

Change in R&D Activity Compared to change in Number of Animals used by GSK



Recent GSK advances in research techniques supporting the 3Rs and animal welfare:

1. Blood sampling techniques that reduce the number of animals used and the number of injections required per animal and increase the quality and efficiency of sample collection.
2. Refined methods for collecting DNA from transgenic mice, that reduce animal stress and increase productivity.

3. Development of better facilities and refined procedures for ferrets and guinea pigs. Exchange of this knowledge between GSK laboratories in different countries.

Regulation and Internal Controls

Our laboratories comply with strict national laws, guidelines and codes of conduct on animal welfare. Regulators carry out regular unannounced inspections of our sites to check standards of animal care.

GSK laboratories, and any external laboratories conducting research on our behalf, must also follow our Code of Practice on animal research. When GSK sponsors animal research at other companies or institutions, we require that such entities meet all legal requirements to conduct animal based research and we establish to the best of our ability, that best practice standards for animal care and use are followed.

'Best practice' is defined as a combination of what is currently known from the scientific literature, from published recommendations, and from the knowledge of experts from within and outside GSK. In addition, GSK expects these external collaborators to demonstrate application of best practice regarding animal research. Accreditation by the Association for the Accreditation and Assessment of Laboratory Animal Care International is one example of how this can be demonstrated.

To ensure appropriate use of animals, all proposed animal tests must be reviewed by our Ethical Review Committee.

We also obtain independent evaluation from the Association for Assessment & Accreditation of Laboratory Animal Care (AAALAC) International. Ten of our laboratories are accredited by AAALAC including all our animal laboratories in the UK and US. Our laboratories in Belgium, Italy and Spain achieved accreditation during 2004.

Communicating Our Approach

We believe it is important to explain the need for animal research and to be open about what we do.

Our laboratories host visits from schools, colleges, animal welfare organisations and others. In 2004, we also made over 45 visits to UK and US schools to discuss issues around animal research.

We are in regular discussions with animal welfare organisations, our investors and other interested parties. For example this year we have contributed to the work of the Nuffield Council on Bioethics and will be developing our relationship with the new UK national centre for the 3Rs (NC3Rs).

Conduct of Clinical Trials

Learn more about clinical trials in the website

The safety and effectiveness of new medicines must be evaluated in clinical trials before they can be approved for marketing.

Regulators will only give approval if trials demonstrate that a product is safe and effective and that its benefits outweigh any risks from potential side effects.

A new product will typically be tested through three stages of clinical trials. These involve both healthy individuals and patients with the relevant disease. In 2004 there were 140 projects in clinical development.

Traditionally most clinical trials have been carried out in Western Europe and the US. It is however becoming increasingly challenging to enrol sufficient patients in these countries as the increasing number and scale of trials is often utilising most of the available investigators and patients. Therefore as clinical trial capabilities in Eastern Europe, Latin America and Asia have improved significantly in recent years, we are starting to conduct more trials in these regions. We also conduct a number of clinical trials in the least developed countries of the world to evaluate medicines for diseases that disproportionately affect these countries.

During any clinical trial the safety of participants and future patients is our first priority. All our trials, wherever they are conducted, are carried out according to international standards of good clinical practice and applicable laws and regulations. The trial protocols are reviewed by external regulatory agencies in the relevant countries when required and all protocols are considered by relevant ethical review committees whose remits cover the sites where studies will take place. Safety data are routinely collected throughout development programmes and are reported to regulators in line with applicable regulations as well as being reviewed by GSK on an ongoing basis for any safety signals. The GSK Global Safety Board is responsible both for approval of pivotal protocols and internal assessment of any issues related to patient safety that arise during the development programme.

Good Clinical Practice standards

All clinical trials are conducted according to the Good Clinical Practice (GCP) guidelines developed by the International Conference on Harmonisation (ICH).

These guidelines provide an internationally accepted ethical and scientific quality standard for designing, conducting, recording and reporting trials. They cover issues such as the selection and training of trial investigators, gaining informed consent from trial participants, monitoring and quality assurance.

All trials must be approved by an independent ethics committee to ensure the trial is justified and that it is designed and will be conducted according to

appropriate ethical standards. These committees have the power to reject or stop a clinical trial. An ethics committee is typically composed of lay people, medical professionals and scientists.

We conduct audit activities to ensure clinical trials are conducted to the appropriate standards, see [Training and Auditing for Clinical Trials](#) in the website.

Clinical Trials in Eastern Europe, Latin America and Asia

The pharmaceutical industry is starting to perform more trials in regions such as Eastern Europe, Latin America and parts of Asia.

There are several reasons for this. Clinical trial capabilities in these regions have improved significantly in recent years and trials in these countries can help to speed up the research process and ensure new medicines get to patients more quickly. Fewer patients are enrolled into trials in these countries so it is easier and quicker to find patients to participate. These patients have often used fewer medicines compared with those in Western Europe and the US. This makes them good candidates for a clinical trial because it is easier to assess the effect of the products being tested. Cost is also a factor, with operating costs in these countries being lower. Our objective is to carry out more of our clinical trials in Eastern Europe, Latin America and parts of Asia by 2005.

There are concerns that trials in these regions may not be carried out to the same high standards as those in Western Europe and the US. All GSK clinical trials are carried out to the same standards of GCP everywhere in the world. This is vital to protect patients and ensure that we can gain regulatory approval for new medicines.

Clinical Trials in Diseases of the Developing World

GSK has seven products in clinical development for diseases that disproportionately affect the developing world. For more on R&D for developing world diseases see [Access to Medicines](#) in the website.

Clinical trials for diseases of the developing world need to be carried out in countries where the disease is prevalent, and these can include some of the world's least-developed countries. All trials that we sponsor, irrespective of location, are conducted according to the standards applied in developed countries.

In some of the least-developed countries extra efforts may be required to ensure that we meet global standards. For example, in areas with low literacy levels it can be difficult to obtain informed consent from trial participants. In these cases investigators work with independent witnesses to make sure that the trial is properly explained to participants and that they understand what is involved.

For more information on our policy and procedures in this area see [Clinical Trials in the Developing World](#) in the website.

Training and Auditing for Clinical Trials

We provide training to ensure that clinical trials are performed to high ethical and quality standards. We also audit the conduct of clinical trials to ensure they are carried out according to Good Clinical Practice (GCP) guidelines.

All employees involved in designing, conducting and monitoring GSK-sponsored trials are trained in GCP. Training is mandatory and employees must have completed the required training before starting or changing jobs. In 2004 there were 11,239 training activities related to GCP. Each "training activity" represents a successful completion of an e-learning module or instructor-led course related to GCP by one of our employees or complementary workers.

We keep detailed training records which are routinely requested by regulatory authorities when undertaking an inspection to assess the competence of employees undertaking clinical trials.

GSK has an internal audit department (independent of the departments responsible for conducting clinical studies) which conducts audits of GSK systems and processes involved in the conduct of trials, as well as auditing clinical research organisations and investigators performing clinical research on our behalf. In 2004, 176 audits were conducted:

- 102 audits of investigator sites conducting GSK-sponsored trials (representing approximately 5% of investigator sites participating in pivotal clinical trials)
- 17 audits of internal GSK systems and processes used in managing clinical trials / data
- 26 audits of clinical research organisations carrying out clinical trials on GSK's behalf
- 17 audits of GSK Country Medical Departments
- 14 audits conducted in response to suspected irregularities

Audit results are reported quarterly to the R&D Risk Management & Compliance Board, and annually to the GSK Audit Committee. Any concerns or issues identified during audits are fully investigated and appropriate action taken. All breaches of GCP are reported to the appropriate regulatory agency.

In 2004 these audits resulted in 144 findings that needed further investigation, and 4 investigators were reported to regulatory agencies.

Inspections of investigators, clinical research organisations, independent ethics committees (IECs)/Institutional Review Boards (IRBs) and sponsors of clinical trials are also carried out by regulatory authorities to ensure the safety of trial participants, the quality of data, and that trials are conducted according to GCP. During 2004 there were 29 such inspections of GSK and investigators used by GSK to conduct clinical studies.

Public Disclosure of Trial Results

More on GSK's Clinical Trial Register in the website

The pharmaceutical industry is legally required to disclose all relevant data from clinical trials to the appropriate regulatory authorities when seeking approval for a new product.

After approval, sponsors have a continuing obligation to provide regulatory authorities with updated safety information from clinical trials. This ensures regulators can accurately assess the safety and effectiveness of new medicines and monitor their safety after approval. Safety and efficacy information is provided to doctors through prescribing information which is approved by regulators.

In addition there is a need to use ways other than prescribing information to appropriately communicate the results of our clinical trials to healthcare practitioners and others who use or evaluate the use of our medicines.

GSK has taken a significant step this year to respond to concerns about access to trial results.

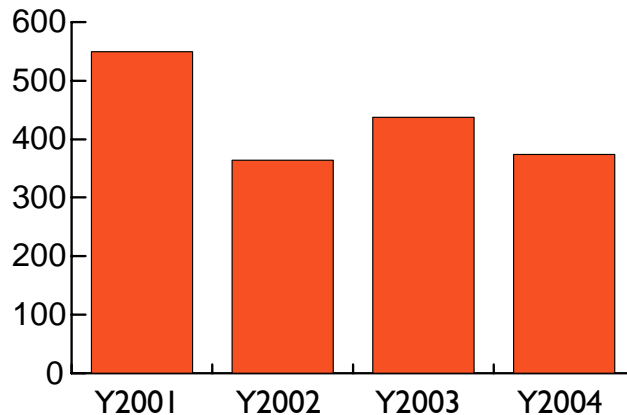
Our Approach

GSK follows the PhRMA Principles on the Conduct of Clinical Trials and the Communication of Clinical Trial Results and is committed to timely communication of results for all products approved for marketing.

Wherever possible we publish our clinical trial results in peer-reviewed scientific and medical journals, or in conference abstracts and proceedings. These are used by research and healthcare communities to obtain the latest information on treatments.

In 2004 there were 374 such publications describing the results of GSK's clinical trials. The number of publications each year depends on the number of trials completed and the number accepted for publication.

Number of publications of GSK clinical trials



GSK cannot guarantee publication of trial results by these methods since this is at the discretion of journal editors and conference organisers. That is why we launched our online Clinical Trial Register in 2004, to supplement prescribing information and publications in the scientific literature (see Clinical Trial Register in the website).

The Register contains results and protocol information from GSK-sponsored trials of marketed medicines. It also provides references to publications that have appeared in medical journals. Anyone can use the internet to access the Register.

By the end of 2004 results for 143 clinical trials had been published on the site. We aim to post, by the end of 2005, the trial results from all clinical trials of marketed products completed since the merger of GSK as well as earlier trials of these products if they are likely to inform medical judgement. Trial results for new products approved for marketing will be posted on the register by the time that medicine is first launched in a major market.

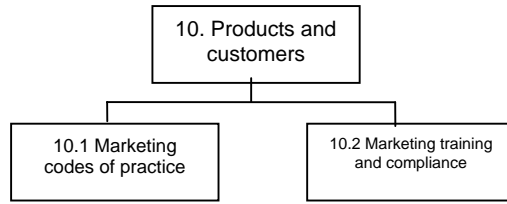
To maximise access to our clinical trial data, we have also committed to posting trial results on the PhRMA clinical trials results database (www.clinicalstudyresults.org).

GSK is legally required to post summary protocol information for ongoing studies of treatments for serious or life-threatening diseases conducted under a US Investigational New Drug Application on the National Institutes of Health website (www.ClinicalTrials.gov) when the trials initiate enrolment. This provides information about the trial's purpose and contact details for further information, enabling patients and investigators to take part. In addition to posting summary protocols for serious or life-threatening diseases, in 2004 we made an additional commitment to post summary protocol information for all other GSK-sponsored clinical trials on the site. This will facilitate participation and enable interested parties to track the trials taking place and the subsequent public disclosure of their results.

We are dedicated to assuring that our results Register and our posting of summary protocol information of trials initiating enrolment are consistent with our stated commitments. To that end, we are establishing a means of providing third-party compliance verification that information being posted to the public databases is in agreement with the principles that we have established. This will be conducted with the assistance of an external organisation - we expect to complete the first full compliance verification exercise in Q3 2005.

Additionally, GSK will assemble an international advisory board to provide input on matters related to the public disclosure of information arising from our clinical research activities.

PRODUCTS AND CUSTOMERS



Products 10

Products and Customers

Corporate responsibility principle

We will promote our products in line with high ethical, medical and scientific standards and will comply with all applicable laws and regulations.

GSK products are sold in more than 150 countries around the world. The first priority with any product in any country is patient safety. We have systems and processes to collect, analyse and report safety concerns about our products. For more on our approach to patient safety please go to: Patient Safety in the website.

Most of our products are sold by sales representatives who regularly meet doctors and pharmacists to inform them about our medicines and their approved uses. We also market products directly to consumers where this is permitted.

The sale and promotion of pharmaceutical products is highly regulated by governments and medical agencies. GSK is aware of the sensitivity and concerns regarding the marketing of medicines and we are absolutely committed to high ethical standards. We have developed marketing codes and policies and provide training to guide sales representatives, to ensure that they behave ethically and comply with the law.

This section explains our approach to marketing practices and covers our policies, training and compliance programmes. It includes information on compliance with our marketing policies during 2004.

Information on other business ethics issues can be found in Standards of Ethical Conduct in the website.

Case study

GSK Thailand Presses for Higher Standards in the Industry

The Thailand Industry Association, PReMA (Pharmaceutical Research and Manufacturer Association) has stewardship of the industry code of marketing practices.

In January 2004, the MD of GSK Thailand, Rick Gain, was appointed to the Board of PReMA and as Chair of its Sales and Marketing Ethics Subcommittee (SMES). At this time the existing marketing practices code was three years old and made general rather than specific commitments.

Rick's priority was to reform the industry code bringing it into line with US and European norms. The Code was strengthened in a number of areas. For example, guidance on sponsorship for overseas conferences was strengthened. The revised Code now prohibits sponsorship of overseas meetings where all (or nearly all) the attendees or speakers are from Thailand. This aims to prevent overseas travel being used as an inducement to conference participants.

The review process took nine months and involved gaining agreement from 12 major member companies of PReMA. The new code was adopted by the PReMA Board in November 2004 and a Memorandum of Understanding was signed by the member companies. Commercial staff received training on the revised code from senior members of the SMES in December 2004.

Marketing Codes of Practice

Our sales representatives promote our products. They do this by providing information to doctors so they understand our products and the benefits they can deliver to patients.

Our marketing policies and codes of practice give guidance to sales and marketing employees about the high ethical standards we require. Our codes stress that all marketing and promotion must be based on valid scientific evidence, be consistent with national prescribing documentation, and comply with the law. Inducements such as gifts or bribes are never acceptable under any circumstances.

All GSK employees must also abide by our Code of Conduct and Employee Guide to Business Conduct. The Employee Guide contains a specific section covering our customers and marketplace. See Code of Conduct in the website and Employee Guide to Business Conduct in the website.

Marketing Policies and Codes of Practice

Our company-wide policy on Pharmaceutical Marketing and Promotional Activity applies to all employees and agents. It commits us to promotional practices that are ethical, responsible, principled and patient-centred. It prohibits bribery or other inducements to doctors.

In December 2003 we introduced regional marketing practices codes in Europe, International, and Japan (marketing codes were already in place in the US). These codes apply the same ethical standards in all regions but reflect differences in market structures, national healthcare systems and laws and regulations.

We also adhere to international and regional industry codes of practice. These include the IFPMA, PhRMA, EFPIA and JPMA marketing codes.

Progress During 2004

During 2004 GSK's regional codes were translated into major local languages and rolled out across GSK. Sales and marketing employees now have access to them on the intranet and many have received printed copies. Area champions in each country have coordinated distribution and training on the new codes. The European code of practice includes a quarterly reporting mechanism where the markets confirm whether any breaches of the code of practice have occurred, the severity of any breaches and what actions have been taken to prevent recurrence.

We also developed and distributed a new 'Guide to US Healthcare Law' for our US Pharma employees. While this information was previously provided through training, the new guide provides a concise and easy-to-read overview of the complex legal requirements applicable to health care businesses in the US. The guide supports our commitment to an ethical culture in which employees have a good understanding of GSK's sales and marketing policies and the legal framework behind them.

Compliance with policies and procedures is a formal performance objective of sales and marketing employees in the US. This is evaluated as part of employee performance reviews. All US Pharma employees must include the following objective in 2005:

"Consistently follow company policies and procedures, take and complete required compliance training in a timely manner, and report compliance issues to manager, Legal or Compliance."

In addition, managers must include the following:

"Ensure that supervised employees are trained on company policies and procedures and have taken all required training, and provide oversight and direction to supervised employees so that they are in compliance with company policies and procedures."

Objectives for 2005

We plan to analyse the differences amongst the GSK International, European and US codes of practice and local requirements in an effort to consolidate and harmonise these codes as appropriate.

The US will continue to enhance its compliance programme with the addition of resources to act as sales and marketing compliance advisers. These advisers will work with the business units to ensure that compliance and ethics policies are fully integrated and embedded.

Marketing Training and Compliance

We recognise that strong policies and codes of practice do not guarantee that all employees will meet our standards. Commercial pressures and complex regulatory environments can sometimes present our employees with difficult ethical dilemmas.

This is why we provide regular training for sales and marketing employees that reinforces the importance of ethical conduct and helps them to understand the behaviour expected of them.

Internal compliance systems are designed to identify and address breaches of our codes.

Training and Awareness

Sales representatives receive detailed training on the medicines they promote and the diseases which they are designed to treat.

Sales and marketing employees are also given training on appropriate marketing practices and their obligations and responsibilities under our marketing codes. Practice varies by region but employees receive training when they are hired, with refresher courses on an on-going basis.

Progress During 2004

During 2004 area champions coordinated training on our new regional codes. Information on the codes is being added to induction training for all new employees, regardless of whether they will have a sales or marketing role.

In 2004 sales and marketing staff were either trained or recertified their understanding of the sales and marketing code. This was a global effort in which:

- Over 1,100 new staff in the US were trained and nearly 8,000 existing staff completed recertification on policies
- Over 10,000 sales and marketing staff in Europe were trained on the regional sales and marketing code
- In our International region training was delivered in all seven regional business units

Training is provided in a variety of ways, including self-study, on the job training by managers, web-based learning and in-house courses. Sales staff are required to pass a test on our code of practice before starting their sales role.

In the US, sales and marketing employees are now required to assess their compliance with our marketing codes as part of their annual performance and

development plan appraisal. This encourages employees to view compliance as an integral part of their overall performance.

Monitoring and Compliance

Sales representatives are supervised by sales managers who regularly monitor educational events, visits to doctors, and expenses, to ensure best practices are observed. This is supplemented by additional monitoring by independent staff as needed in certain areas.

Sales managers are directed to report issues and infractions to regional compliance officers or senior managers. They are encouraged to do this through normal line management channels, but have the prerogative of making reports directly to Corporate Ethics and Compliance if necessary. All issues are investigated and appropriate action determined, with referral to the Corporate Ethics & Compliance department as appropriate.

Employees are also encouraged to report concerns or suspected breaches of our marketing codes through their line manager, compliance officer, or confidentially through our Integrity Helplines and offsite PO Box (in the US).

Staff in local market customer response centres are trained to deal with concerns about marketing practices that might be raised by healthcare professionals, patients or the public. They redirect calls to appropriate senior management or a compliance officer if necessary.

Our internal audit department also audits sales and marketing practices during regular audits of the business.

During 2004, specifically as a result of breaches of sales and marketing codes, 87 employees were dismissed or agreed to leave the company voluntarily. In addition there were 109 cases of employees being issued with written warnings, which included remedial training, and in some cases, financial penalties.

These figures form part of the overall figures reported in Standards of Ethical Conduct in the website.

Objectives for 2005

Sales and marketing compliance advisers will be appointed in the US during 2005. They will work with the business units to ensure that compliance and ethics policies are fully integrated and embedded.

A Compliance Analysis and Reporting group will also be set up in the US to review compliance monitoring, auditing and investigations data and advise GSK management on compliance related issues.

CARING FOR THE ENVIRONMENT

Caring for the Environment

EHS Management	118
Energy and Climate Impact	131
Water	140
Waste	146
Ozone Depletion	156
Volatile Organic Compounds	161
Product Stewardship	164
Suppliers	169
Compliance	172
Verification Statement	173
Progress Towards Targets	176

Corporate Responsibility Principle

We will operate in an environmentally responsible manner through systematic management of our environmental impacts, measurement of our performance and setting challenging performance targets. We will improve the efficiency of all our activities to minimise material and energy use and waste generated. We aim to find opportunities to use renewable materials and to recycle our waste.

Caring for the environment is a key element of our approach to Corporate Responsibility at GSK. Our Environment, Health and Safety (EHS) Plan for Excellence sets out a strategy to improve our performance over the ten-year period to 2010, from a 2001 baseline. This includes interim targets to be reached by the end of 2005.

We are on track to meet seven of our ten targets. These cover some of our most important environmental issues, including energy and water consumption, ozone depleting potential, global warming potential, wastewater quality, volatile organic compound emissions and non-hazardous waste. We may not achieve the three targets on hazardous waste, recycling and ozone depletion potential of ancillary equipment by the end of 2005. A fuller explanation of our performance is provided on the relevant pages of this report. Next year we will set new targets for 2010.

About the Environment Section of This Report

This is the 5th year that we have reported on our environmental performance. The legacy companies (Glaxo Wellcome and SmithKline Beecham) individually published EHS reports for a number of years prior to the formation of GSK in 2000. Copies of these reports are available on the Corporate Register website.

In previous years, we have published a separate EHS report alongside our Corporate Responsibility Report, but this year we have fully integrated the two.

Further background information on our approach to managing environmental issues is available in the Environment, Health and Safety in the website section of our website. There are also more details about our corporate responsibility reporting in the section about this report in the website.

Scope of Data

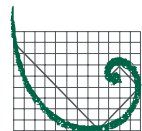
The environmental data covers the calendar year 2004. It is collected from 83 of our 84 pharmaceutical and consumer manufacturing sites, 4 of our 8 biologicals manufacturing sites and 20 of 24 R&D sites as well as 5 of 6 distribution centres, 4 of the 6 major office locations and 6 of the smaller office and sales locations. We include data for sites that were in operation for all or part of the year.

We plan to collect energy, water and waste data from our smaller offices, sales and distribution centres in a phased approach over the next few years. However, the overall environmental impact from these sites is relatively small and we therefore do not plan to collect other environmental data.

Notes attached to the charts explain the scope and data collection process for each parameter in more detail.

Verification

The environment, health and safety sections of this report are externally verified by ERM (Environmental Resources Management). Web pages to which the verification applies are indicated by this symbol



ERM

See ERM's verification statement in the website.

Case Study

Raising Children's Awareness of Environment, Health and Safety

In 1996, GSK's manufacturing site in Evreux, France, set up a community partnership project for schools. The project was an environment, health and safety (EHS) award scheme that encouraged children to learn about the EHS issues that are important to their future.

In its first year, five schools and 100 children took part. Thanks in part to the continued help of local offices of the French Education Ministry, the French Social and Health Insurance Ministry Office and a local association dedicated to science, 14 schools and 300 children entered the competition in 2003.

Each year has its own EHS theme. For 2003 the theme was Waste Recycling. The first prize – 200 euros towards a school project and a trip to the Science and Industry Hall in Paris – went to a team that created a papier mache educational booklet about waste and recycling. Other prize-winning entries included a game about recycling and a play about waste. An educational film on recycling was shown at the awards ceremony. The theme for 2004 was health and hygiene.

The awards scheme has helped to build and enhance GSK's reputation in the local community. The project won first place in the community partnership category of our internal awards scheme – the Chief Executive Officer's EHS Excellence Awards.

EHS Management

Environment, health and safety (EHS) issues are managed through an integrated system that aims to ensure issues and risks are identified, standards are established, training is provided, targets set and audits conducted.

We have a clearly defined EHS management structure. Overall responsibility for EHS issues rests with the Corporate Executive Team and the Board. The Board champion for EHS is JP Garnier, the Chief Executive Officer. We also have a Corporate Responsibility Committee and Corporate EHS department. See more on our EHS Management Organisation in the website.

Our EHS Policy, EHS Vision and 64 Global EHS Standards set the overall framework for managing EHS issues. Our EHS Plan for Excellence sets out our strategy for improving our environmental performance up to 2010. See more on our EHS Management System in the website..

In 2004, four sites achieved dual certification to the international environmental management standard ISO14001 and the international health and safety standard OHSAS 18001 for the first time. One site did not renew its certification in 2004 and one site certified only the utilities area. This means that 14 out of 84 pharmaceutical and consumer manufacturing sites are now certified to both ISO14001 and OHSAS 18001, and seven sites are certified to ISO 14001 only. We are working to increase site certification and expect to have around a third of our sites certified by the end of 2005, which would put us in a position to move towards global certification.

Case Study

Eliminating Waste From our Chemical Production Processes

In Verona, Italy, we have developed a process which reduces the environmental impact of producing a chemical which is being tested to help treat chemotherapy-induced nausea and vomiting.

Originally, the method for synthesising the chemical required very low temperatures and produced significant quantities of waste by-products. It also required the use of triphosgene – a toxic reagent which must be specially transported, managed and handled. The original process was designed for producing small quantities of the chemical. It was scaled up several times to produce larger quantities for clinical trials, but the process remained unchanged.

In 2003, researchers set out to create a more efficient process suitable for commercial production if the clinical trials were successful. The innovative new process eliminated the need for extremely low temperatures, saving

energy.

A number of hazardous substances were removed from the process, including triphosgene, chlorinated solvents and silica treatments. This helped to reduce waste by 75% and the cost of raw materials by over 50%.

This innovative development won first place in the green chemistry/technology category of our internal awards scheme - the Chief Executive Officer's Environment, Health and Safety Excellence Awards.

Letter From the Vice President, EHS

This year, for the first time, GSK's Environment, Health and Safety (EHS) report is fully integrated into the company's Corporate Responsibility Report on GSK.com.

We cover the same issues in the same detail as before, but have made it simpler to understand our overall approach to corporate responsibility and to see the connections between the many subject areas covered.

Consultation with stakeholders has helped us identify the prime sustainability challenges we face. These are: climate change, the impact of pharmaceuticals in the environment, and more sustainable materials consumption. We have begun work developing strategies to tackle these issues and will publish our plans in 2006.

We have developed a rigorous approach to EHS and sustainability, with a long term 'Plan for Excellence' and five-year improvement targets applying throughout our operations. The first five-year phase of the programme will be complete in 2005 so we will set new five-year targets during this year to help drive the business towards sustainability. From the end of 2005 we will expand traditional EHS programmes to include a focus on sustainability.

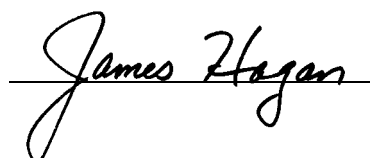
We have continued to make progress – for example, in 2004 four additional sites were certified to the EHS management system standards ISO14001 and OHSAS 18001.

We are on track to meet seven of our ten quantified environmental targets by the end of 2005. The targets cover some of our most important issues, including energy and water consumption, ozone depleting potential, global warming potential, volatile organic compound emissions, wastewater quality and waste.

We may not achieve the three targets on hazardous waste, recycling and ozone depletion potential of ancillary equipment by the end of 2005. A fuller explanation of our performance is provided on the relevant pages of this report.

Our long term plan for excellence charts a journey which begins with improving our systems, progresses to leadership in EHS performance, and ultimately brings us closer towards sustainability. The 10-year programme envisages continuous improvement as well as identifying specific actions. As good EHS management and performance are achieved we will set ourselves more challenging sustainability objectives on materials efficiency, energy efficiency and use of renewable resources. We also need to look more closely at the inter-relations between the social, economic and environmental impacts of our business.

I hope that this report meets your needs as a stakeholder and I welcome your comments or suggestions.

A handwritten signature in black ink that reads "James Hagan". The signature is written in a cursive style and is positioned above a horizontal line.

James Hagan Ph.D., P.E.
Vice President Corporate Environment, Health and Safety

Plan for Excellence

Our EHS Plan for Excellence sets out a strategy to improve our EHS performance over the ten-year period to 2010. Each year we focus on a different theme. The priority for 2004 was to develop policies in response to external challenges such as climate change.

In September 2003, we held a meeting of an external stakeholder panel (which represented government, customers, suppliers, environmental groups, and others) to help us identify external challenges. Three key issues for GSK were identified - pharmaceuticals in the environment, the use of chemicals, and climate change. In response, we developed the following specific objectives for 2004:

- Work with external stakeholders to review emerging issues.
- Draft a position statement on pharmaceuticals in the environment.
- Draft a position statement on the use of chemicals.
- Draft a position statement on the future use of energy.
- Implement a regulatory tracking system for EHS.

In 2004, we made good progress against these objectives. We worked with the Environment Council to get feedback from external stakeholders on the issues relating to pharmaceuticals in the environment, the use of chemicals and the future use of energy. Following this consultation, we prepared discussion documents in each of these three areas and began to get feedback on them from employees. We will complete position statements in these areas in 2005.

We also established a regulatory tracking process to alert us to emerging EHS issues in the USA and the EU. A network of EHS specialists tracks regulations which are made available on a database to employees with EHS responsibilities.

In 2005 we will focus on ensuring that core programmes are in place throughout the business. Our specific objectives are to:

- complete the implementation of our EHS management system, which is aligned with ISO14001 and OHSAS 18001, at all operations;
- achieve acceptable audit scores at all operations. Our aim is to achieve an average score of at least 75% in each business unit, with no site achieving less than 50%;
- achieve the published 2005 EHS global targets;
- analyse how close we have come to meeting the strategic objectives originally published in 2001 in the EHS Plan for Excellence;
- formalise our external stakeholder engagement process;
- review and revise as necessary the EHS Plan for Excellence for 2006-2010.

We are also working to develop a road map for sustainable development, which outlines the key steps that we will need to take to become an environmentally sustainable business. In 2004, we commissioned a study by Forum for the Future into the role of a pharmaceutical company in a sustainable society. We then used the findings to develop a draft road map, which will be finalised in 2005.

See more on our EHS Plan for Excellence.

Stakeholder Engagement

We engage with a range of stakeholders to help us understand external perspectives and identify emerging issues. Here we report our engagement with stakeholders on environmental issues. See engagement with stakeholders for details of how we engage with stakeholders on other corporate responsibility issues.

In the past, we have held ad hoc stakeholder meetings to obtain feedback on our EHS performance and plans. In September 2003 we held a major workshop of external stakeholders to help us identify emerging challenges. We plan to establish a more permanent stakeholder panel in 2005 to provide ongoing advice to GSK on EHS issues.

The 2003 stakeholder workshop identified three key external challenges – pharmaceuticals in the environment, the use of chemicals and the future use of energy. In 2004, we worked with the Environment Council to interview around 20 stakeholder organisations (including NGOs, policy makers, regulators, customers, suppliers and trade associations) to help us develop position statements on these issues. See Plan for Excellence in the website for more about the position statements which will be published in 2005.

We also partner with a number of environmental organisations in specific areas. For example, in 2004 we commissioned a study by Forum for the Future into the role of a pharmaceutical company in a sustainable society, and this is being used to help us develop a road map for sustainable development. Another partnership is with the environmental organisation Earthwatch Institute (Europe). GSK is a member of Earthwatch's Corporate Environmental Responsibility Group and also funds Earthwatch to develop its field research and conservation projects in the UK and send schoolteachers on these projects as part of its educational programme. For the first time in 2004, we ran a competition to select a GSK employee to participate in a two-week Earthwatch expedition overseas.

Many of our sites also engage with stakeholders locally, for example, through open days, newsletters and community projects.

Audits and Certification

EHS Audits

We carry out Environment, Health and Safety (EHS) audits to assess implementation of our EHS management system and standards. The audits also assess sites' compliance with key legislation. They are carried out by internal auditors who are certified as lead auditors against the international environmental management standard ISO 14001.

We aim to conduct EHS audits at each operational site at least once every four years. We carry out more frequent visits at selected sites, depending on an assessment of risk and the issues raised by previous audits.

In 2004, 33 sites were audited including three key office locations. Two thirds of sites achieved acceptable scores (which we define as over 70%). The average score across all sites audited was 71%. Ten sites in Belgium, Germany, Ireland, Japan, Turkey, UK and the US achieved high scores of over 80%. One site in the UK achieved a leadership score of over 90%. See more on audit achievement in the [website](#).

The highest scores were on environmental issues. We identified a number of health and safety issues which require attention. See how we manage health and safety in the [website](#) for details of the issues identified.

All sites are required to develop plans to address any weaknesses and opportunities to improve identified in the audit. Auditors monitor sites' progress in implementing the plans. In 2004 the EHS audit process and scoring system were further refined based on experience and feedback. We are testing EHS auditing software on our intranet site to help the auditors track progress, and aim to have a fully functional version ready in 2005.

EHS Certification

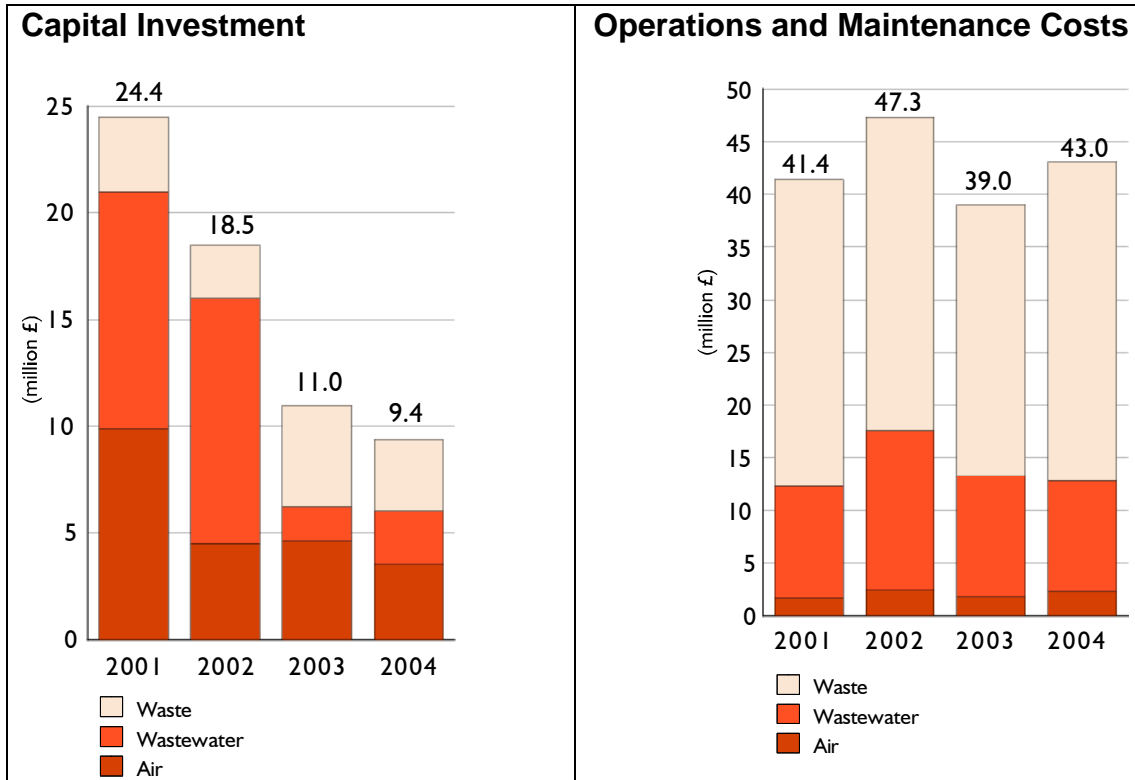
In 2004, four sites achieved dual certification to the international environmental management standard ISO14001 and the international health and safety standard OHSAS 18001 for the first time. One site did not renew its certification in 2004 and one site certified only the utilities area. This means that 21 out of 84 pharmaceutical and consumer manufacturing sites are now certified (14 sites are certified to both ISO14001 and OHSAS 18001, and seven sites are certified to ISO 14001 only) and one site's utility area is certified to both. The certified sites are in China, Egypt, France, Germany, India, Italy, Mexico, Poland, Spain, Turkey and the UK.

We are working to increase site certification and expect to have around a third certified by the end of 2005. We will then be in a position to move towards global certification.

Environment Costs

In 2004, our capital investment in environmental projects was £9.4 million and our operating and maintenance costs were £43 million. This expenditure relates to wastewater treatment, waste management and air pollution control.

Performance



In 2004, there was a decrease in capital investment of 14.5% and an increase in operations and maintenance costs of 10.3%. Capital investment has decreased since 2001 due to cost control measures and rationalisation of manufacturing sites. Operation and maintenance costs are cyclical and therefore vary year on year.

Training and Awareness

We have a wide range of awareness-raising and training initiatives on EHS, supported by a detailed EHS section on our intranet (called myEHS) which includes policies, standards, guidelines, tools, examples of best practice and news. See more on myEHS in the website.

Our Chief Executive Officers' EHS Excellence Awards scheme recognises outstanding efforts in EHS and helps raise the profile of EHS issues around the business.

We prepare regular EHS bulletins which are distributed to all sites for posting on bulletin boards. Three bulletins were circulated in 2004. We also include articles on EHS in our internal magazine (GSK Spirit), our manufacturing magazine and site newsletters.

GSK has two key awareness raising events – an Environment Week held every June (to coincide with the World Environment Day) and an annual Health and Safety Week held every October (to coincide with the European Health and Safety week and Fire Safety Awareness Month in the United States). Information kits are sent to all sites to help them develop ideas and plan activities. In 2004, over 7,600 employees from 65 sites in 27 countries took part in the Environment Week. Examples of activities included tree planting, computer recycling, a no car day, and pledges to reduce energy use. We also ran a competition during Earth Week for the best environmental initiative, and funded the winner on a two-week conservation expedition run by Earthwatch. See how we manage health and safety case study in the website for more about the Health and Safety Week.

In the summer of 2004 we held our annual regional meetings for EHS professionals in manufacturing to share information and best practice. These events were attended by more than 100 EHS professionals.

EHS training takes place at site level, in accordance with our EHS Standard on training. A range of training materials are available on our intranet site.

See more on EHS Communication in the website.

EHS Excellence Awards

Our Chief Executive Officer's Environment, Health and Safety (EHS) Excellence Awards Programme – run for the third year in 2004 – recognises and rewards GSK sites for innovation in EHS. The winners are chosen by a panel that includes experts from academia, government and NGOs.

There are three categories of awards – Community Partnership, Green Chemistry/Green Technology, and the EHS Initiative Award (including separate awards for environment and safety). Each winner receives a trophy and selects a charity to receive a donation.

In 2004, there were 120 entries from 64 GSK sites in 32 countries - 27% more entries than the previous year. The 2004 awards recognise achievements in the calendar year 2003. The winners were:

EHS Community Partnership

1st Place: Evreux, France for “EHS School Challenge”

GSK business division - Global Manufacturing & Supply, New Product and Global Supply

The EHS School Challenge aims to raise awareness of EHS issues among local school children. In 2003, over fourteen schools took part in the initiative. See case study in the website.

2nd Place: Xochimilco, Mexico for “Working with our neighbours”

GSK business division - Pharmaceuticals International and Global Manufacturing & Supply, Regional Pharma Supply

The site supports a range of projects to help Mixteca ethnic communities. Examples include: training for over four thousand “health promoters”, supporting a clinic for cervical-uterine cancer and assisting local women to establish a chicken farm for food and income.

3rd Place: Sonapat, India for “Project Pragati”

GSK business division - Global Manufacturing & Supply, Consumer Healthcare Supply

Project Pragati (pragati means development) provides support to local communities, including an eye clinic (to address the high incidence of eye problems in the area), training of village women as seamstresses, traffic and pedestrian safety education sessions and helping to fund a fire engine.

Green Chemistry / Technology

1st Place: Verona, Italy for “Environmentally Friendly Synthesis of GW597599B”

GSK business division - Research & Development

Novel techniques have been used to remove several hazardous substances, including triphosgene, from the production process of GW597599B (which is being tested to prevent chemotherapy-induced nausea and vomiting). See case study in the website.

2nd Place: Cork, Eire for “GW572016 Solvent Usage Reduction Project”

GSK business division - Global Manufacturing & Supply, Primary Supply and Antibiotics and Research & Development

A 35% reduction in solvent use and energy savings have been achieved by re-designing the process for making GW572016 (used to treat solid tumours).

3rd Place: Stevenage, United Kingdom, for “Development of GW273629 Route of Manufacture”

GSK business division - Research & Development

A new process has been developed to produce GW273629 (used in the treatment of migraines). This avoids the use of dioxane, a carcinogenic chemical, and eliminates the use of DMF, a solvent listed as a reproductive hazard under the Solvent Emissions Directive. It also saves energy and reduces waste. Overall, improvements to the process have reduced costs by £1,000 per kg, an annual saving of £30 million based on projected peak production of 30 tonnes per year.

EHS Initiative – Environment

1st Place: Bogotá, Colombia for “Pharmaceutical Waste Bioremediation”

GSK business division - Global Manufacturing & Supply, Consumer Healthcare Supply

The pioneering use of reed bed technology for the treatment of pharmaceutical waste in Colombia has led to a 60% reduction in the cost of final waste treatment. See case study in the website

2nd Place: Cairo, Egypt for “Waste Re-use and Reduced Resource Consumption”

GSK business division - Global Manufacturing & Supply, Regional Pharma Supply

A new process was designed to re-use waste gelatine in the encapsulation process – reducing waste and resource consumption.

3rd Place: Barnard Castle, United Kingdom for “Increased Mass Conversion Efficiency of Cephalosporin Oral Products”

GSK business division - Global Manufacturing & Supply, New Product and Global Supply

Improvements to the process of producing cephalosporin (an antibiotic) have significantly reduced the amount of waste - helping to divert over 1 tonne per year of active pharmaceutical ingredient from incineration.

EHS Initiative - Safety

1st Place: Barnard Castle, United Kingdom for “Ergonomic Improvements”

GSK business division - Global Manufacturing & Supply, New Product and Global Supply

The site has successfully raised employee awareness of ergonomic risks. Teams have identified and completed 59 ergonomic improvement projects and ergonomic experts are consulted on the design of new equipment. See case study in the website.

2nd Place: Nabha, India for “EHS Strategy and Mechanical Scraping Machine”

GSK business division - Global Manufacturing & Supply, Consumer Healthcare Supply

The site, which produces malted food, implemented a new EHS Strategy. This resulted in the development of a new mechanised scraping machine (used in the tray drying process) which has reduced workers' exposure to moving parts and the risk of repetitive strain injury.

3rd Place: Mayenne, France for “Control of Driving Risks”

GSK business division - Global Manufacturing & Supply, Primary Supply and Antibiotics

The site has organised driving safety courses for employees for five years. Each year about 50 employees complete a one-day training session, including classroom presentations and practical workshops where drivers learn to control their cars in emergencies.

See CEO's EHS Excellence Award in the website for more about the awards programme and winners from previous years.

Energy and Climate Impact

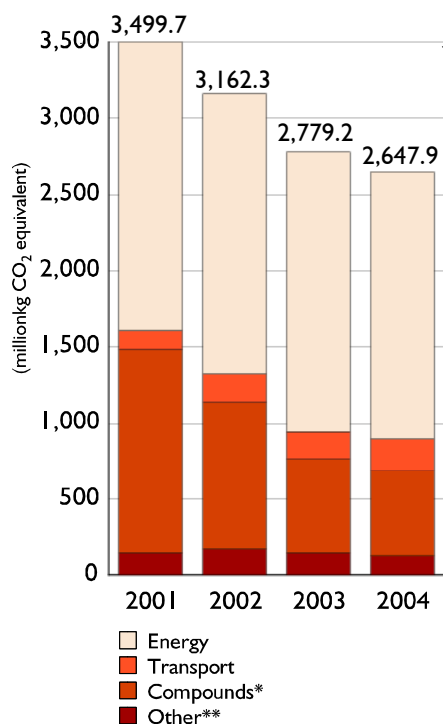
An increase in greenhouse gases in the atmosphere is widely thought by climate scientists to be causing a rise in the earth's temperature, leading to climate change.

Burning fossil fuels for heat and power releases carbon dioxide (CO₂) – the most significant greenhouse gas.

GSK's climate impact comes from energy use from our facilities, transport, and compounds we use that contribute to global warming. The biggest source is energy use from our facilities (two thirds). We have a target to reduce global warming potential from energy per unit sales by 8% by 2005 (from a 2001 baseline) and we are on track to meet this target (see energy in this report). Compounds that contribute to global warming are used in the production of metered dose inhalers and in some ancillary equipment. They include CFCs and HCFCs (which also deplete the ozone layer) and HFCs (which do not deplete the ozone layer). Emissions of ozone depleting compounds are also reported in the ozone depletion section of this report. See [product stewardship](#) in this report for more about the use of ozone depleting compounds in our products.

Carbon dioxide and methane from waste treatment and fermentation also contribute to our global warming impact. We report our performance in the waste section of this report.

Performance Global Warming Potential



Global warming potential decreased by 4.7% since 2003.

Note to Global Warming Charts

Our global warming impact from energy is calculated using conversion factors from the World Business Council For Sustainable Development (WBCSD) / World Resources Initiative (WRI) Greenhouse Gas Protocol Initiative, September 2001, its Stationary and Mobile Combustion Workbooks, and the Intergovernmental Panel on Climate Change (1996).

We use conversion factors from the UK Department for Environment Food and Rural Affairs to calculate CO₂ from business air travel and air freight.

Energy Use From our Facilities includes all energy consumed at GSK facilities in the form of electricity imported and steam imported and fuels burned in fixed combustion equipment on site, including emergency generators. Figures include fuels used to generate steam and electricity on-site but not fuel for on-site transport. The energy consumption section of this report includes a breakdown of energy data.

Transport includes business travel by air (including transatlantic flights

between the US and UK, flights within the EU and US for routine business activities, and flights originating in the UK to large group events such as sales conventions), business travel by road (including company-owned vehicle fleets, primarily our global sales fleet), and product freight by air. The increase in global warming potential from transport since 2001 is mainly because we have improved our reporting systems to more comprehensively collect transport data. For example, the 2001 data did not include business air travel within the EU and US and did not include UK and international sales fleet miles.

The data do not include employee travel to work. We do not collect data for other modes of business travel including rail and bus. We do not calculate CO₂ emissions from road, rail or sea freight transport because our central data collection system is not as robust in these areas and the impacts are small when compared to those of air freight transport. The transport section of this report includes a breakdown of transport data.

Compounds that contribute to global warming are used in the production of metered dose inhalers and in some ancillary equipment. They include CFCs and HCFCs (which also deplete the ozone layer) and HFCs (which do not deplete the ozone layer). The ozone depletion section of this report contains a breakdown of ozone depleting gases. The data does not include CFCs released from patient use of metered dose inhalers.

Other is CO₂ equivalents from waste treatment and fermentation.

Energy Consumption

Energy use from our facilities accounts for 66% of GSK's global warming impact. In 2004, we used 19 million gigajoules of energy – equivalent to the energy consumed in one year by approximately 236,000 UK households. This produced emissions of 1,750 million kg CO₂. We bought 41% of our energy as electricity and a small amount (1%) as municipal steam or hot water. The rest was generated from fuel combustion on-site.

In 2004 we developed a draft position statement on our future use of energy, which will be finalised in 2005. This was in response to feedback showing that energy use is a key area of concern among our stakeholders. The draft position sets out a strategy for reducing greenhouse gas emissions through energy efficiency, renewable energy and emissions trading. It also acknowledges that climate change may affect disease patterns and proposes that GSK should support research to help society plan for the consequences of climate change.

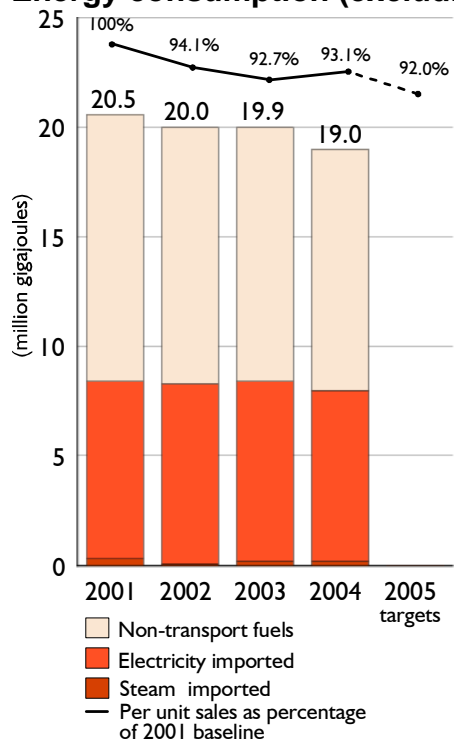
In 2004, we continued to work on a number of energy efficiency initiatives. For example, in the UK GSK partnered with the Carbon Trust to reduce energy consumption through energy audits and raising employees' awareness. In the US we joined the Energy Star programme which encourages businesses to increase their energy efficiency and share best practice.

In the UK, we installed two wind turbines at our Barnard Castle facility.

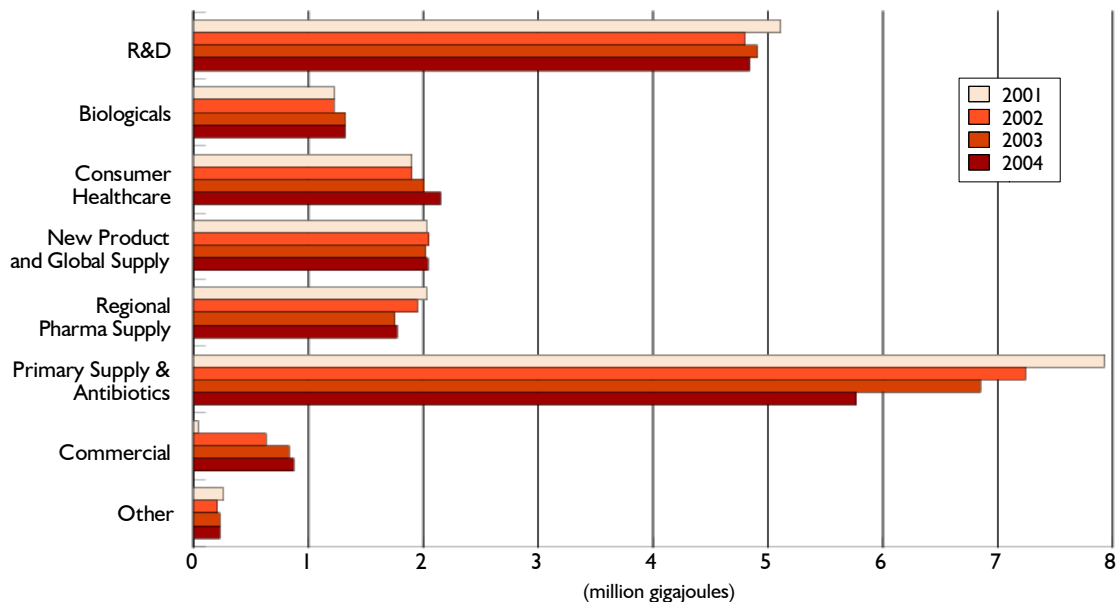
A number of our UK sites are participating in the government's emissions trading scheme (ETS) - helping us to gain experience in carbon trading. The UK ETS is a voluntary scheme which rewards companies that improve energy efficiency with reductions in the tax they pay on energy consumption. Sites that keep emissions below an agreed target can bank the spare credits to help with compliance in subsequent years or can sell the credits to other participants in the scheme. By the end of 2004, GSK had banked more than 50,000 carbon credits which can be used to help us keep within targets in the future. We plan to participate in the EU Emissions Trading Scheme which began at the start of 2005. We estimate that more than 50% of our carbon dioxide emissions from energy worldwide will be regulated under the EU Scheme.

Performance

Energy consumption (excluding transport)

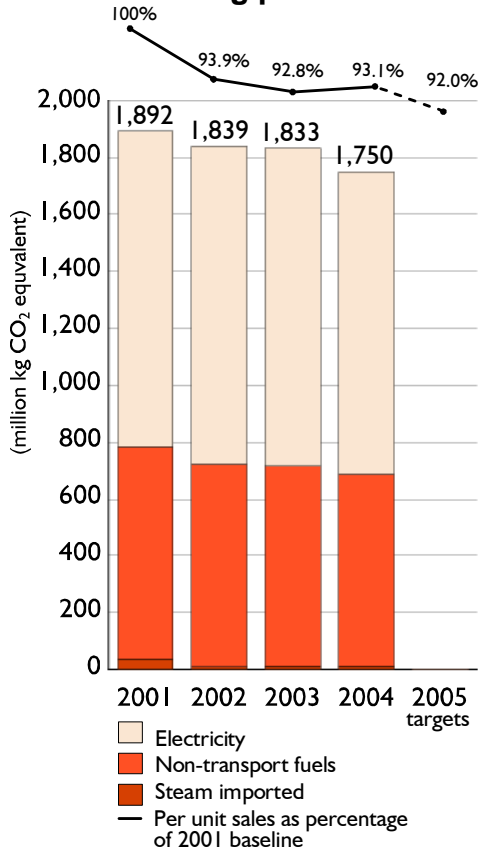


Energy Consumption by Business (Excluding Transport)

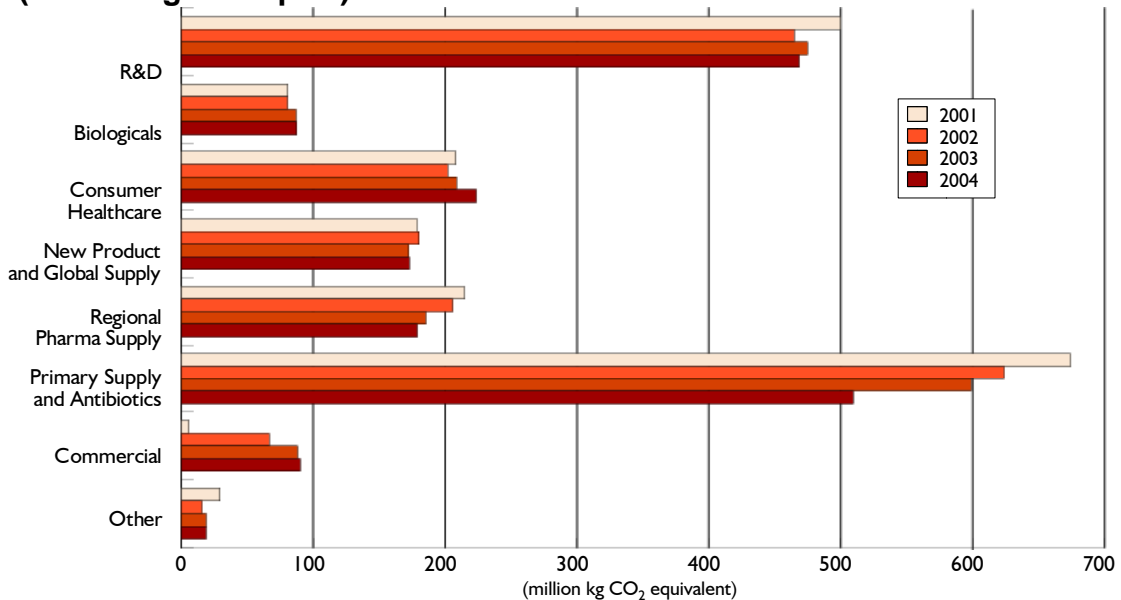


Total energy consumption decreased by 4.5% since 2003 (7.3% since 2001). Energy consumption per unit sales increased by 0.4% since 2003. However, it decreased by 6.9% since 2001, so we expect to meet our 2005 target of an 8% reduction per unit sales since 2001.

Global warming potential from energy (Excluding Transport)



Global warming potential from energy by Business (Excluding Transport)



Total global warming potential from energy use at our facilities decreased by 4.5% since 2003 (7.5% since 2001). Global warming potential per unit sales increased by 0.3% since 2003 (a decrease of 6.9% since 2001) – meaning we are on track to meet our 2005 target of an 8% reduction per unit sales since 2001.

Sulphur dioxide and nitrogen oxides

In 2004, 109,905 kilograms of NO_x and 408,897 kilograms of SO₂ were emitted. These figures have been calculated from the coal that is used at some GSK manufacturing plants as an energy source.

Note to Energy Charts

Energy consumption at our facilities is defined as all energy consumed in the form of electricity imported and steam imported and fuels burned in fixed combustion equipment on site, including emergency generators. Figures include fuels used to generate steam and electricity on-site but not fuel for on-site transport.

The global warming potential from energy use at our facilities is calculated using conversion factors from the World Business Council For Sustainable Development (WBCSD) / World Resources Initiative (WRI) Greenhouse Gas Protocol Initiative, September 2001, its Stationary and Mobile Combustion Workbooks, and the Intergovernmental Panel on Climate Change (1996).

The NO_x and SO₂ are calculated from the coal used at some GSK facilities, primarily in India for energy purposes, using conversion factors from the National Atmospheric Emissions Inventory (UK national methodology).

Transport

We estimate that transport accounts for 7.9% of our total global warming impact. In 2004 we emitted approximately 209 million kilograms of CO₂ from transport.

Business air travel accounts for over half (54%) of our travel-related CO₂ emissions. In 2004, employees travelled a total of 771 million kilometres by plane – resulting in 114 million kg of CO₂ emissions. This includes transatlantic flights between the US and UK, and flights within the EU and US for routine business activities, as well as travel originating in the UK related to large group events such as sales conventions.

In 2004, our global sales fleet (excluding the UK) drove a total of 656 million kilometres on business travel – resulting in 82 million kg of CO₂.

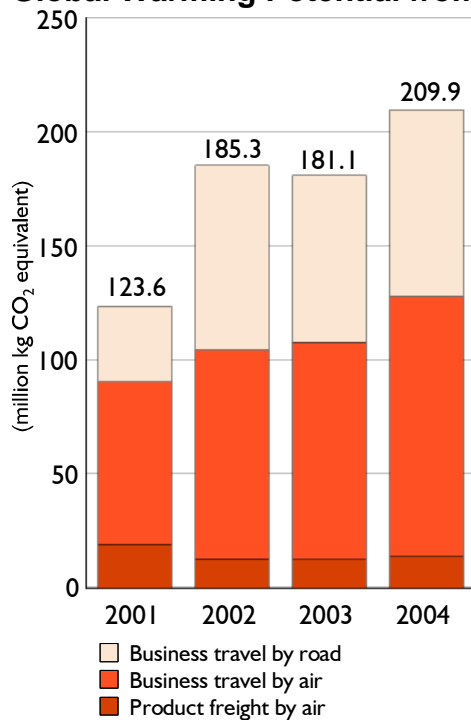
In addition to business travel, we also transport products from our manufacturing plants to distributors. In 2004, GSK products were transported a total of 152 million kilometres - the majority (81%) by air freight. We estimate that the air freight resulted in 13.9 million kg of CO₂. We do not calculate CO₂ emissions from road, rail or sea freight transport because our central data collection system is not as robust in these areas and the impacts are small when compared to those of air freight transport.

We have "green travel plans" at a number of sites which encourage employees to reduce the environmental impact of their travel to work. For example, at GSK House in Brentford, the UK, privileged parking spaces are given to car-sharers and drivers of fuel efficient cars, buses run to and from the local train station, while changing rooms and showers are provided for cyclists as well as discounts for bicycle equipment and repairs.

We encourage employees to use video and teleconferencing where possible to reduce air travel. Virtual meeting software is available to employees for making presentations. Email and our internal messaging system are widely used, although it is difficult to quantify the impact of these on reducing business travel.

Performance

Global Warming Potential from Transport



Total global warming potential from transport increased by 15.9% since 2003 (69.8% since 2001). The increase since 2001 is mainly because we have improved our reporting systems to more comprehensively collect transport data. For example, the 2001 data did not include business air travel within the EU and US and it did not include the UK and international sales fleet miles. We estimate we are still underestimating our global warming potential from transport because we do not have a robust system to collect the UK sales fleet travel or group air travel not originating in the UK.

Note to Transport Chart

Data for business air travel includes transatlantic flights between the US and UK, flights within the EU and US for routine business activities, and flights originating in the UK to large group events such as sales conventions.

Data for business travel by road is our global sales fleet except the UK sales fleet. We do not collect data for other modes of business travel including rail and bus.

The CO₂ from air freight covers all global routes. We do not calculate CO₂ emissions from road, rail or sea freight transport because our central data collection system is not as robust in these areas and the impacts are small when compared to those of air freight transport.

We use conversion factors from the UK Department for Environment Food and Rural Affairs to calculate CO₂ from business air travel and air freight.

Water

Water is a valuable natural resource that needs to be conserved and protected from pollution. Water conservation is particularly important in areas where water shortages are common.

GSK uses water in manufacturing (eg for processes, products, cooling and cleaning) and for general site uses including food services and sanitation. We operate in several areas of the world that are classified as water-stressed. We have 47 sites in water stressed areas, of which 31 are in areas classified as highly stressed by the World Resources Institute.

In 2004, we used 20.5 million cubic metres of water – a decrease of 10.9% since 2003 (23.8% since 2001). Water consumption per unit sales decreased by 6.3% since 2003 (23.3% since 2001) – meaning we have exceeded our 2005 target of a 10% reduction per unit sales since 2001.

In 2004, we generated 13.9 million cubic metres of wastewater. 15% of this was reused, recovered or recycled.

We assess the quality of our wastewater by measuring the chemical oxygen demand (COD) - the oxygen required to chemically oxidise organic and inorganic compounds present in the water. Total COD decreased by 15.0% since 2003 (24.5% since 2001). COD per unit sales decreased by 10.8% since 2003 (24.2% since 2001) – meaning we are on track to meet our 2005 target of a 30% reduction per unit sales since 2001.

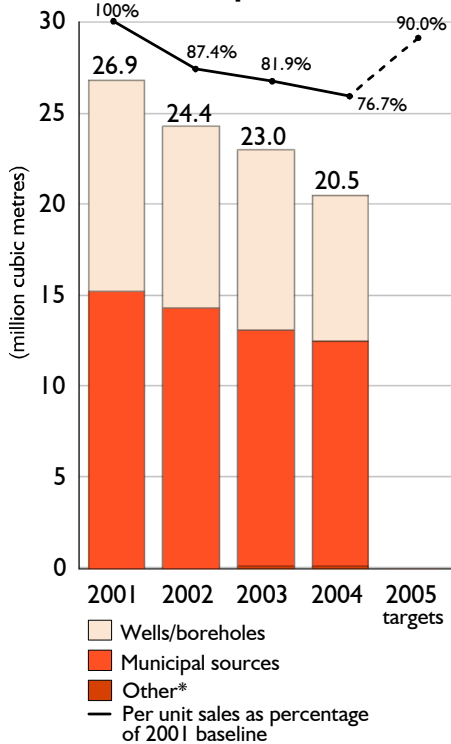
Water Use

In 2004, we used 20.5 million cubic metres of water – equivalent to the water used in one year by approximately 80,000 UK households. This was sourced from municipal water supplies (60.5%), wells / boreholes (39.0%), and other sources (0.5%).

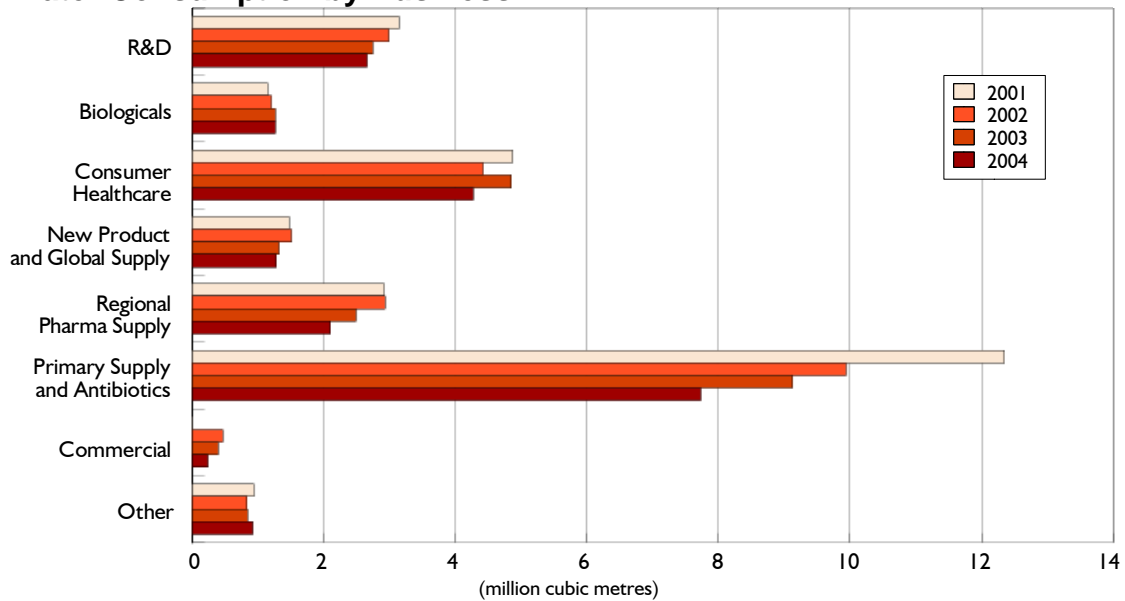
All five of our sites in India use processed wastewater for watering plants and trees, which help provide shade, improve the appearance of the site, and also a source of food for employees. They do not discharge any wastewater to water bodies or to municipal sewers. Our site in Xochimilco, Mexico uses processed wastewater for watering gardens around the site, washing vehicles, windows and other uses not requiring drinking water. Our sites in Turkey and the Philippines also reuse all wastewater.

Performance

Water Consumption



Water Consumption by Business



Total water consumption decreased by 10.9% since 2003 (23.8% since 2001). Water consumption per unit sales decreased by 6.3% since 2003 (23.3% since 2001) – meaning we have exceeded our 2005 target of a 10% reduction per unit sales since 2001.

Note to Water Use Charts

Water use includes water sourced from wells/boreholes, municipal and other sources (mainly wastewater from external industrial sources).

The data include water used in manufacturing processes and for general sites uses, as well as water incorporated into products.

Wastewater

In 2004, we generated 13.9 million cubic metres of wastewater from our manufacturing processes and various site operations.

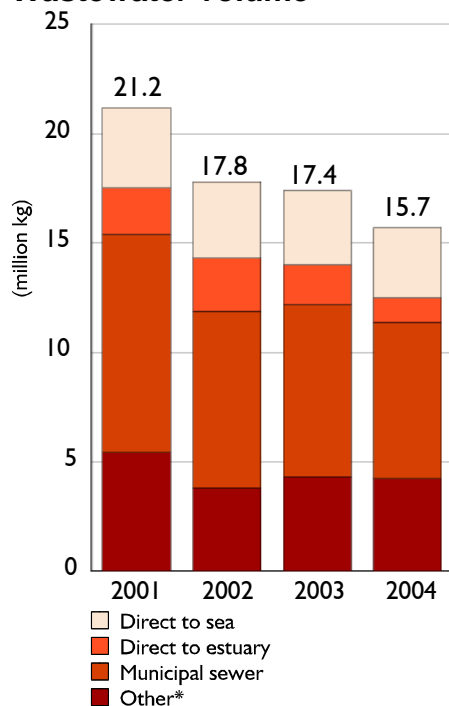
15% of total wastewater was reused, recovered or recycled. All of our five sites in India have implemented “zero wastewater” discharge programmes – reusing and recycling all wastewater. Another three sites (in Mexico, the Philippines and Turkey) also reuse all wastewater.

We assess the quality of our wastewater by measuring the chemical oxygen demand (COD) - the oxygen required to chemically oxidise organic and inorganic compounds present in the water.

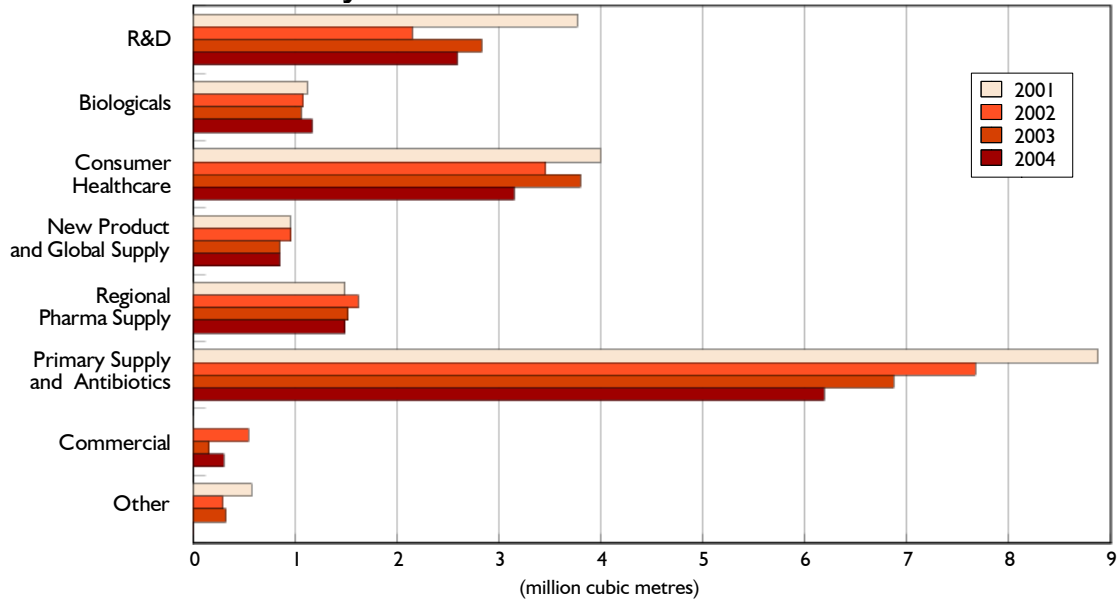
One site in Brasov, Romania was fined 24,333,400 ROL (£409) by the local water company for exceeding the COD limit.

Performance

Wastewater volume

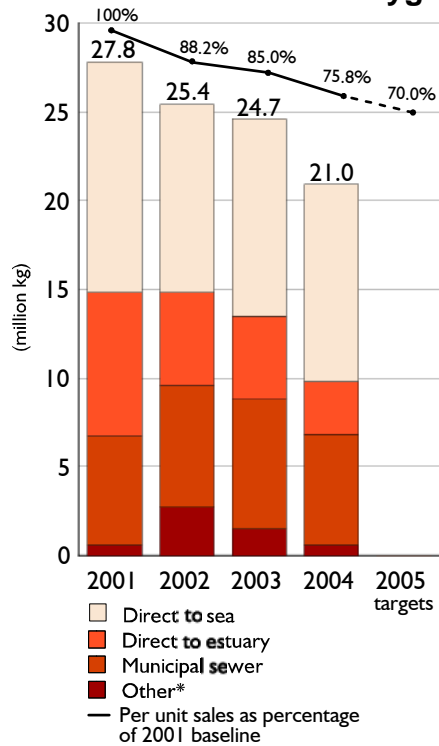


Wastewater Volume by Business



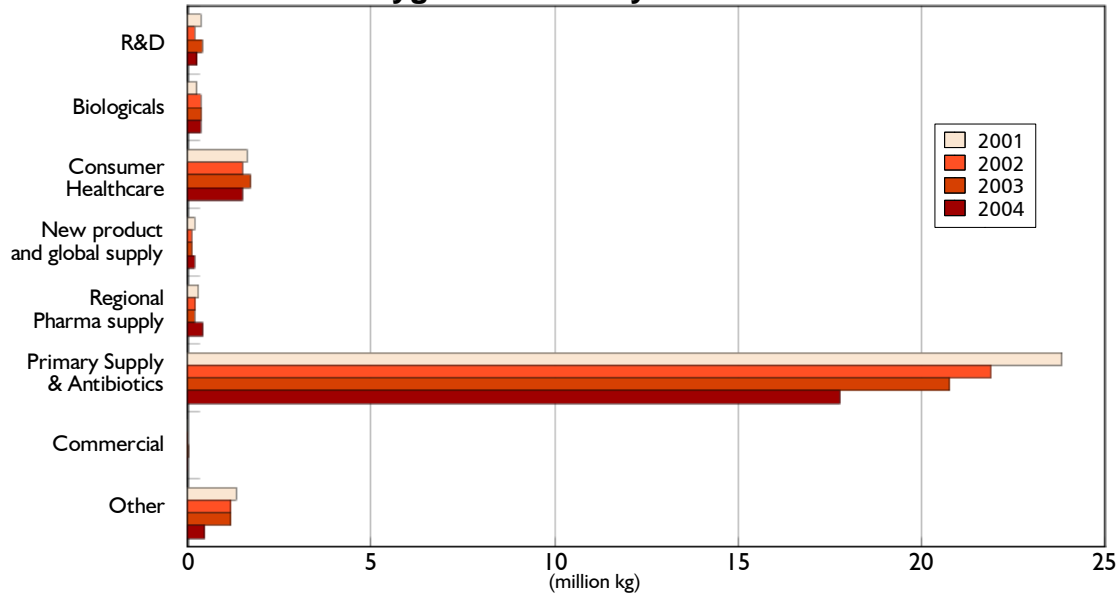
Total wastewater volume decreased by 9.2% since 2003 (28.4% since 2001).

Wastewater Chemical oxygen demand



* includes reused/recovered/recycled, on-site irrigation and incineration

Wastewater Chemical Oxygen Demand by Business



Total COD decreased by 15.0% since 2003 (24.5% since 2001). Most of the decrease in 2004 was because our site at Ulverston, UK, outsourced a fermentation process. COD per unit sales decreased by 10.8% since 2003 (24.2% since 2001) – meaning we are on track to meet our 2005 target of a 30% reduction per unit sales since 2001.

Note to Wastewater and COD Charts

Wastewater volume includes all manufacturing and site process wastewater as well as sanitary and food service wastewater.

Wastewater quality is measured by Chemical Oxygen Demand (COD) which is a measure of the oxygen required to chemically oxidise organic and inorganic compounds present in the water.

The COD is measured when wastewater leaves our sites, following any on-site treatment.

In 2002, we began to ask our sites to submit COD data following municipal treatment. This takes into account final treatment occurring at municipal or publicly-owned wastewater treatment works and therefore gives a better indication of the impact of our operations on the final receiving waterways. However, many of our sites have not submitted this data which means that the 2004 data still primarily reflects the COD after only onsite treatment. We will revisit this parameter and its scope as we develop our new EHS metrics and targets in 2005.

Waste

Our waste includes hazardous waste (mostly waste solvents) and non-hazardous waste (mostly general site waste). We report non-routine waste (mostly construction and demolition waste) separately because this fluctuates depending on building works and remediation projects.

Most of the active ingredients in our pharmaceutical products are manufactured using synthetic chemistry processes. This means that a significant proportion of our waste contains solvents and chemicals used in these processes and is classified as hazardous.

In 2004, we disposed of 43.1 million kg of non-hazardous waste and 73.7 million kg of hazardous waste.

Non-hazardous waste disposed per unit sales increased by 2.8% since 2003 (but decreased by 18.8% since 2001) – meaning we have exceeded our 2005 target of an 8% reduction per unit sales since 2001.

Hazardous waste disposed per unit sales increased by 27.5% since 2003 (17.3% since 2001) – meaning we are not on track to meet our 2005 target of a 15% reduction per unit sales since 2001. This is due to a combination of factors which are described in the hazardous waste section.

Many of our sites have introduced waste minimisation and recycling initiatives. In 2004, we recycled 239.2 million kg of waste (67.2% of the total waste generated). The proportion of waste recycled decreased by 11.1% since 2003 (11.5% since 2001) – meaning we are not on track to meet our 2005 target of a 10% increase in the proportion of waste recycled since 2001. Production changes during 2004 led to a greater proportion of solvent waste being blended as a fuel or incinerated and less recycled.

In 2004, a large number of projects related to waste issues – 20 in total – were submitted for the GSK CEO EHS Excellence Awards. Our site in Bogotá, Colombia, was awarded 1st place in the environment category of the awards for its pharmaceutical waste bioremediation project (see case study below).

Case Study

Developing Environmentally Friendly Ways of Disposing of Unused Pharmaceutical Products

Our consumer healthcare site in Bogotá, Colombia, has developed a system to reduce the environmental impact of disposing of unused liquid pharmaceutical products, including product returns or rejects.

The liquid waste is treated in reed beds. Although reed beds are becoming increasingly popular to treat domestic and industrial wastewater, the Colombia team are pioneers in using them to treat pharmaceutical waste.

Reeds (usually *phragmites australis*) planted in specially designed soil beds provide an ideal environment for bacteria and fungi to break down hazardous chemicals naturally into harmless components. The reeds themselves absorb some chemicals in the waste as nutrients. In our initial trial, treating a mixture of waste syrup and used oil, levels of chemicals in the residual water from the reed beds fell below legal limits after 35 days.

The system replaces high temperature incineration, which is energy intensive and does not dispose of certain wastes such as syrups effectively. Using reed beds has reduced the cost of final disposal per kilogram of product by 60%.

Building our own reed bed treatment plant at the Bogotá site was not feasible because there was not enough space, so the team promoted the idea of a joint initiative with other companies. In June 2003 the waste treatment company Transform Ecoskandia Ltda and other financial partners founded Transform Biolodos Ltda to build the first large reed bed plant in Colombia for industrial and public use.

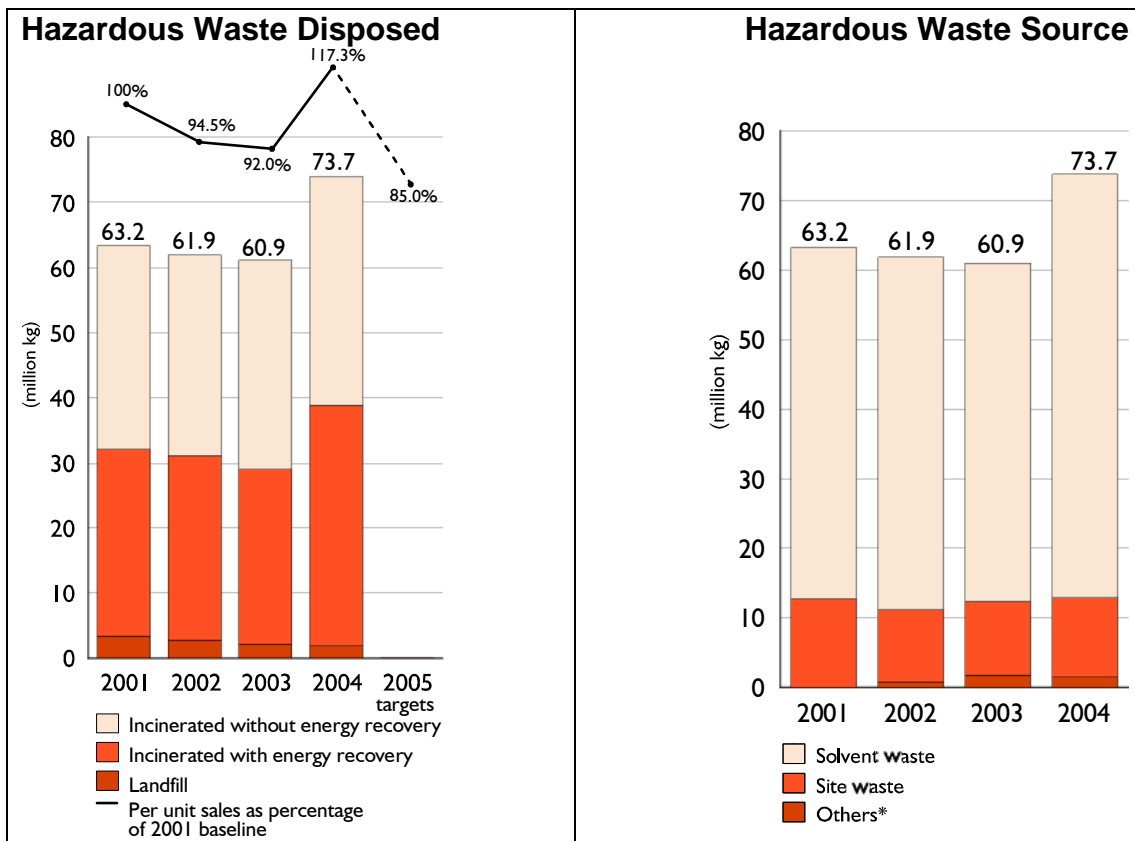
The Bogotá site won first place in the environment category of our internal awards scheme – the Chief Executive Officer's Environment, Health and Safety Excellence Awards. The site closed in 2004, but the reed bed treatment plant is now used by several other major companies.

Hazardous Waste

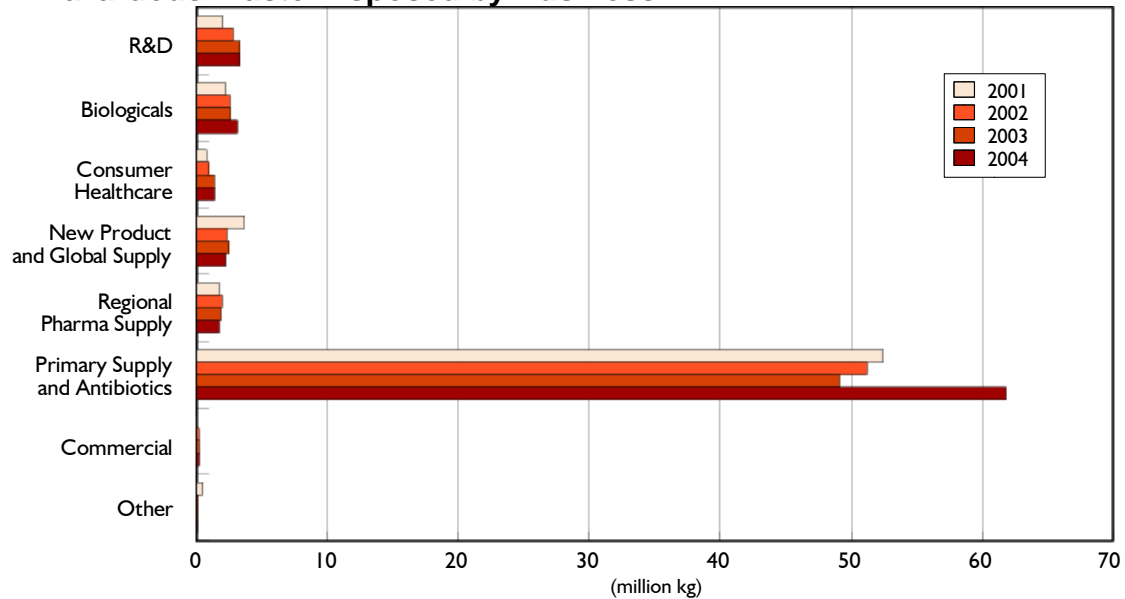
In 2004, we disposed of 73.7 million kg of hazardous waste (excluding demolition and construction waste). This is mostly solvents (82.6%), the rest being general site waste (15.3%) and chemical, biological or radioactive waste (2.0%).

In 2004, 50.2% of hazardous waste disposed was incinerated for energy recovery, 47.5% was incinerated without energy recovery. The remaining waste was disposed to licensed landfill sites.

Performance



Hazardous Waste Disposed by Business



Total hazardous waste disposed increased by 21.0% since 2003 (16.6% since 2001). Hazardous waste disposed per unit sales increased by 27.5% since 2003 (17.3% since 2001) – meaning we are not on track to meet our 2005 target of a 15% reduction per unit sales since 2001.

Our previous trend of reducing hazardous waste per unit sales was reversed in 2004 by a combination of factors. GSK's hazardous waste is mostly solvents and one plant scheduled for closure had to dispose of redundant solvent stocks. This had a one off impact on our data. In addition, changes to production at other plants included bringing in-house processes that were previously undertaken by contract manufacturers. Our engineers will be assessing how to optimise the new processes to reduce solvent use and increase recycling.

Note to Hazardous Waste Charts

Although the external definition of what constitutes a waste varies, for GSK reporting purposes a material is considered a waste if it is no longer fit for its originally intended purpose.

Hazardous waste disposed includes disposal to landfill and incineration either on or off GSK property. Incineration with energy recovery includes processes that result in beneficial energy or resource recovery and includes a small amount of composting. Incineration without energy recovery includes processes that do not result in beneficial energy or resource recovery. Hazardous waste disposed does NOT include recycling on-site or off-site or non-routine waste.

For consistent reporting, GSK considers a waste to be hazardous if it exhibits any of a number of properties as defined by the Basel Convention in 1989 of

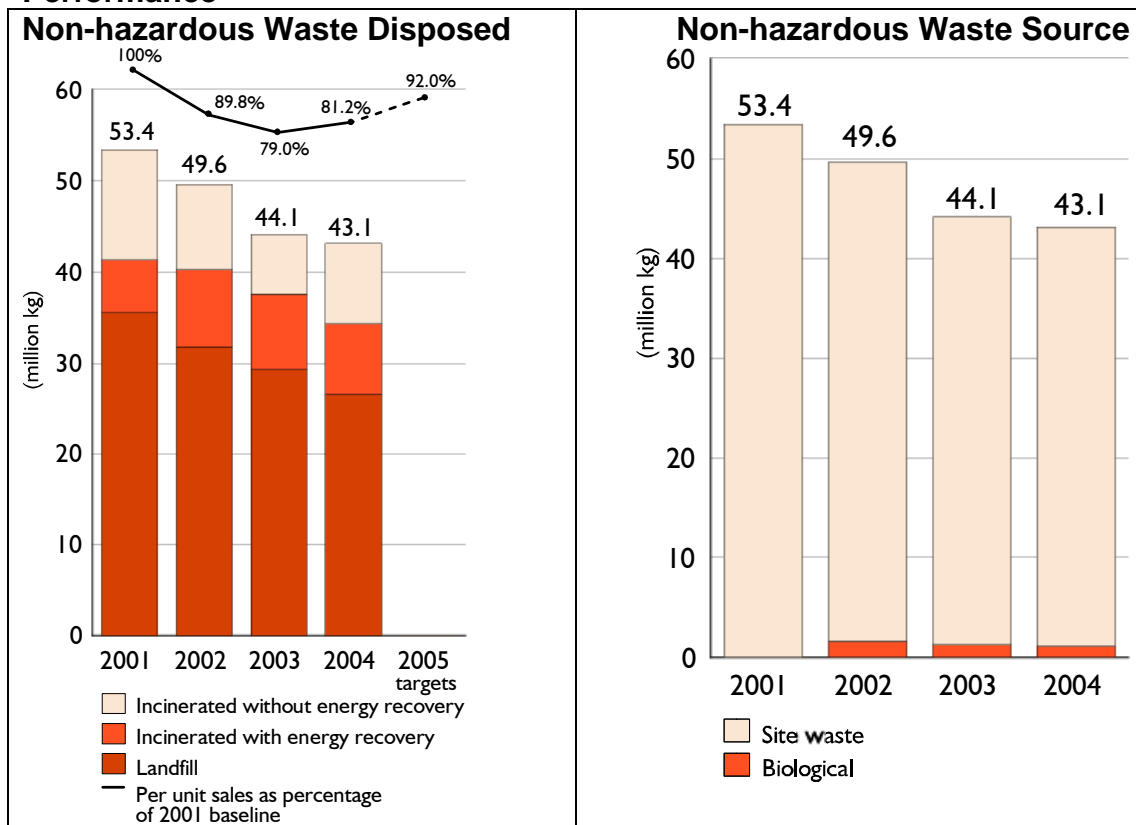
the United Nations Environment Programme (UNEP). Included in these properties are flammability, explosivity, water or air reactivity, corrosivity, oxidising potential, acute or chronic toxicity, ecotoxicity or infection. In addition, because of their nature and potential impact on research and development activities, radioactive wastes are defined as hazardous. Bioengineered and biohazardous waste is included in hazardous waste. A waste is considered to be non-hazardous if it does not exhibit any of the hazardous properties noted above.

Non-hazardous Waste

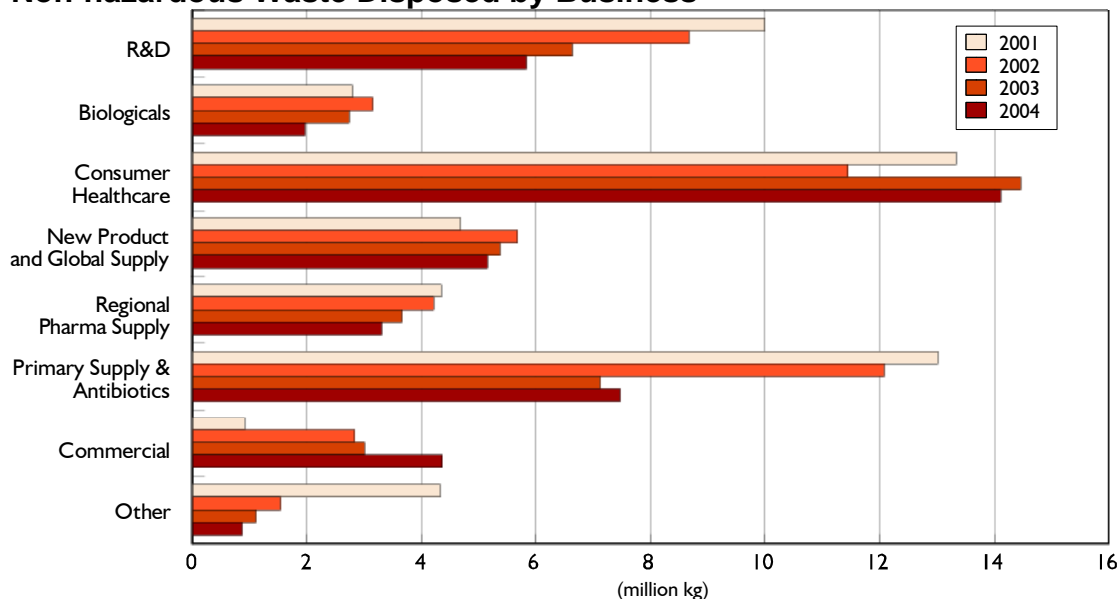
In 2004, we disposed of 43.1 million kg of non-hazardous waste (excluding non-routine waste). This is equivalent to the waste produced by approximately 34,800 UK households. Most non-hazardous waste is general site waste such as office waste paper, kitchen waste and non-hazardous substances used in manufacturing.

Many sites continue to look for ways to reduce waste and have undertaken waste management reviews.

Performance



Non-hazardous Waste Disposed by Business



Total non-hazardous waste disposed decreased by 2.3% since 2003 (19.3% since 2001). Non-hazardous waste disposed per unit sales increased by 2.8% since 2003 (but decreased by 18.8% since 2001) – meaning we have exceeded our 2005 target of an 8% reduction per unit sales since 2001.

Note to Non-hazardous Waste Charts

Although the external definition of what constitutes a waste varies, for GSK reporting purposes a material is considered a waste if it is no longer fit for its originally intended purpose.

Non-hazardous waste disposal includes disposal to landfill and incineration either on or off GSK property. Incineration with energy recovery includes processes that result in beneficial energy or resource recovery and includes a small amount of composting. Incineration without energy recovery includes processes that do not result in beneficial energy or resource recovery. Non-hazardous waste disposed does NOT include recycling on-site or off-site or non-routine waste.

Biological waste rendered non-hazardous after treatment is considered a non-hazardous waste.

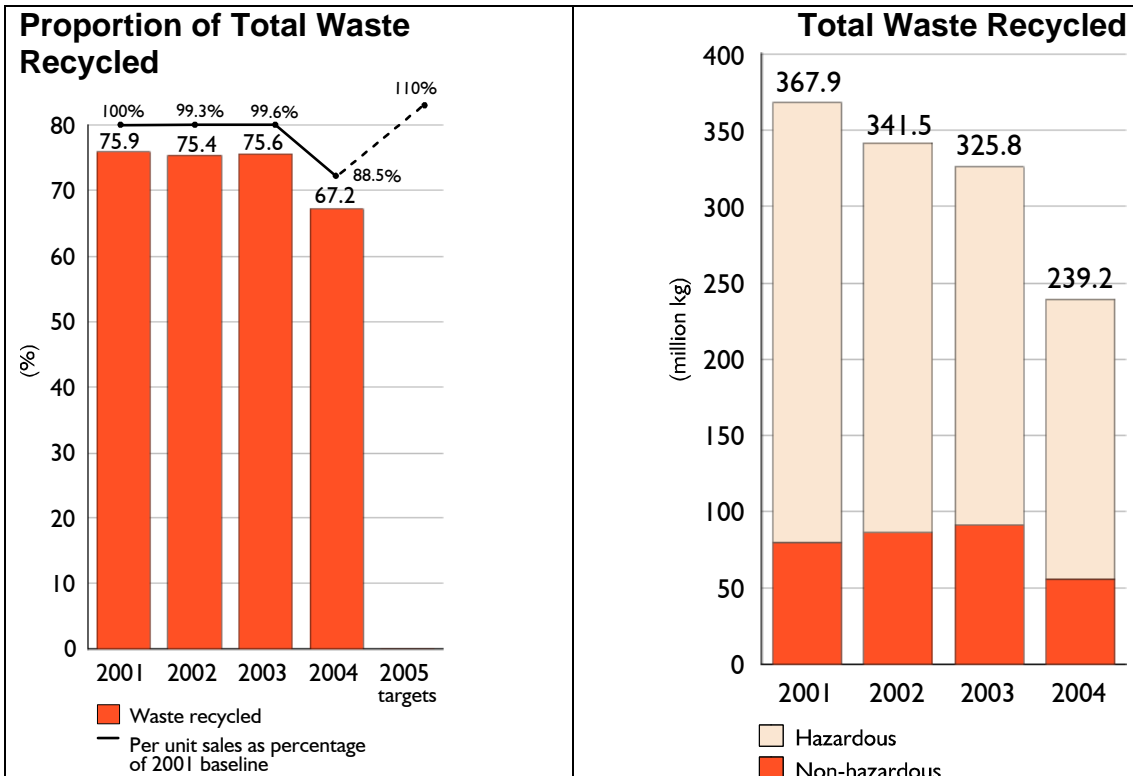
Recycling

In 2004, we recycled 239.2 million kg of waste (67% of the 356 million kg of waste generated).

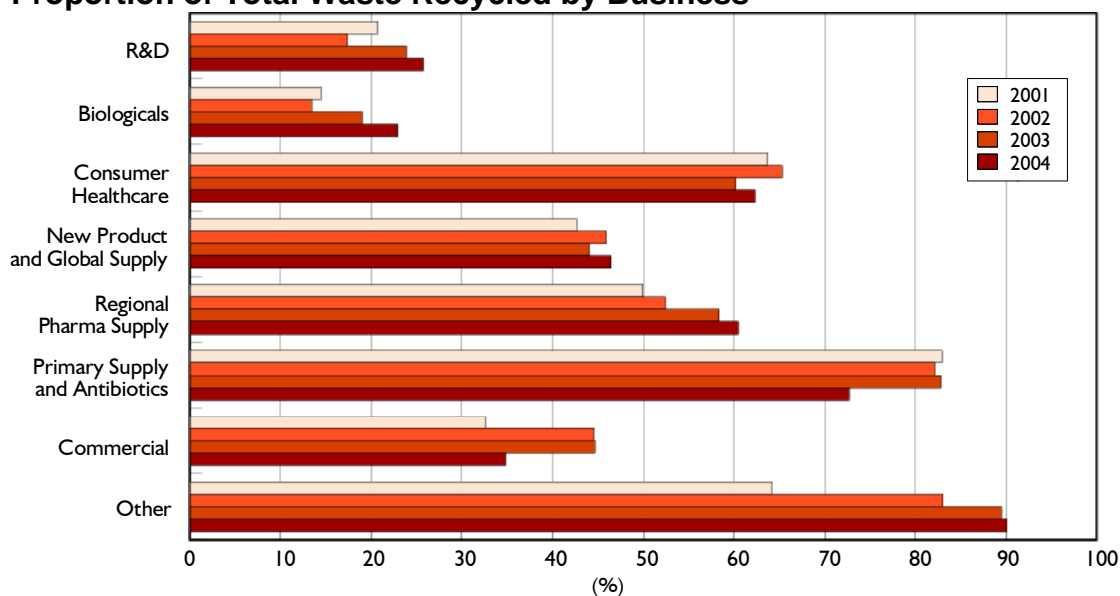
Over 77% of the total waste recycled was hazardous waste, primarily solvents.

New recycling programmes have led to significant reductions in waste at several sites. For example, in Cidra, Puerto Rico, recycling a range of materials has reduced non-hazardous waste disposed to landfill by 30-40% per year. In Clifton, New Jersey, US, recycling of plastic packaging materials has saved over 70 metric tonnes of waste per year.

Performance



Proportion of Total Waste Recycled by Business



Total waste recycled decreased by 26.6% since 2003 (35.0% since 2001).

The proportion of waste recycled decreased by 11.1% since 2003 (11.5% since 2001) – meaning we are not on track to meet our 2005 target of a 10% increase in the proportion of waste recycled since 2001.

Production changes during 2004 led to a greater proportion of solvent waste being blended as a fuel or incinerated and less recycled.

Note to Recycling Charts

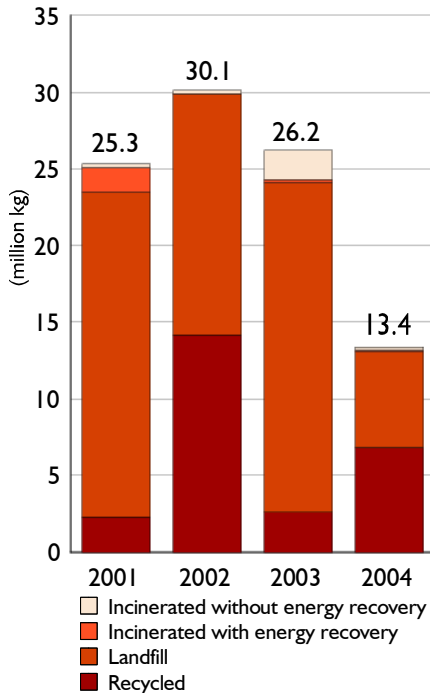
Waste recycled includes hazardous and non-hazardous waste (not non-routine waste) that has been reused, recovered or recycled, on site and off site. It includes in-process reuse of solvents.

Non-routine Waste

Non-routine waste is primarily demolition and construction waste and includes hazardous and non-hazardous waste from site demolition and construction activities and from small on-site remediation projects. In 2004, we disposed (via landfill or incineration) of 6.6 million kg of non-routine waste, and recycled 6.8 million kg.

Performance

Non-Routine Waste



Total non-routine waste disposed decreased by 48.9% since 2003 (47.0% since 2001). The amount of waste fluctuates each year depending on plant upgrades and site closures.

Note to Non-Routine Waste Charts

Although the external definition of what constitutes waste varies, for GSK reporting purposes a material is considered a waste if it is no longer fit for its originally intended purpose.

Non-routine related waste disposal includes disposal to landfill and incineration either on or off GSK property. Incineration with energy recovery includes processes that result in beneficial energy or resource recovery and includes a small amount of composting. Incineration without energy recovery includes processes that do not result in beneficial energy or resource recovery. Non-routine waste disposed does NOT include waste recycled on-site and off-site.

Ozone Depletion

The ozone layer is essential to human survival because it filters out harmful ultra-violet (UV) rays from the sun. Ozone depleting substances (ODSs) include chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs) and halons.

CFCs are the main ODS we use – as the propellant gas in metered dose inhalers (MDI) for asthma sufferers. The CFC is released when patients use the inhaler.

In 2004, 464 thousand kilograms of CFC propellant was released when patients used our products in the EU and US. A much smaller amount of CFCs – 59 thousand kilograms – were released during worldwide production. Information on CFC releases is not compiled outside the US and UK where this is not required by regulation. We now offer a selection of alternatives to ODS-containing inhalers in most countries and plan to eliminate the use of ODSs from our product portfolio by 2010. See metered dose inhalers.

Ozone depletion potential from production per unit sales decreased by 67.5% since 2001 – meaning we have exceeded our 2005 target of a 50% reduction per unit sales since 2001.

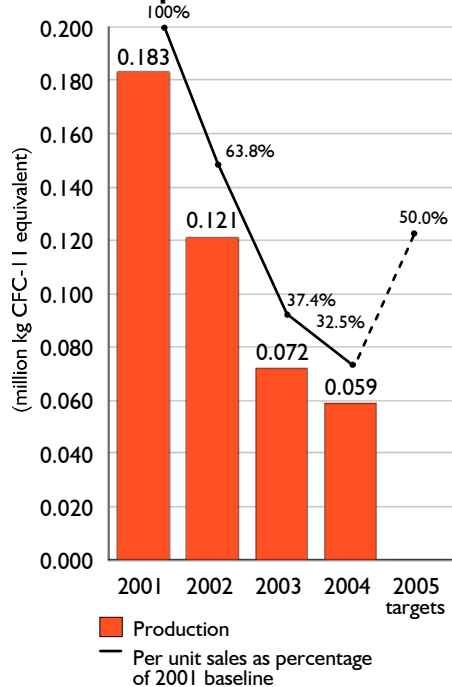
We also use ODSs in some cooling systems and for other ancillary uses at GSK facilities. We have switched to using hydrofluorocarbons (HFCs) in some cooling systems. HFCs do not deplete the ozone layer but do contribute to global warming. Ozone depletion potential from ancillary use per unit sales decreased by 60.5% since 2001, but the current trend indicates that we may miss our 2005 target to eliminate these emissions. We plan to establish a team in 2005 to develop a business strategy to eliminate ancillary emissions of ODSs.

Ozone Depleting Substances in Manufacturing

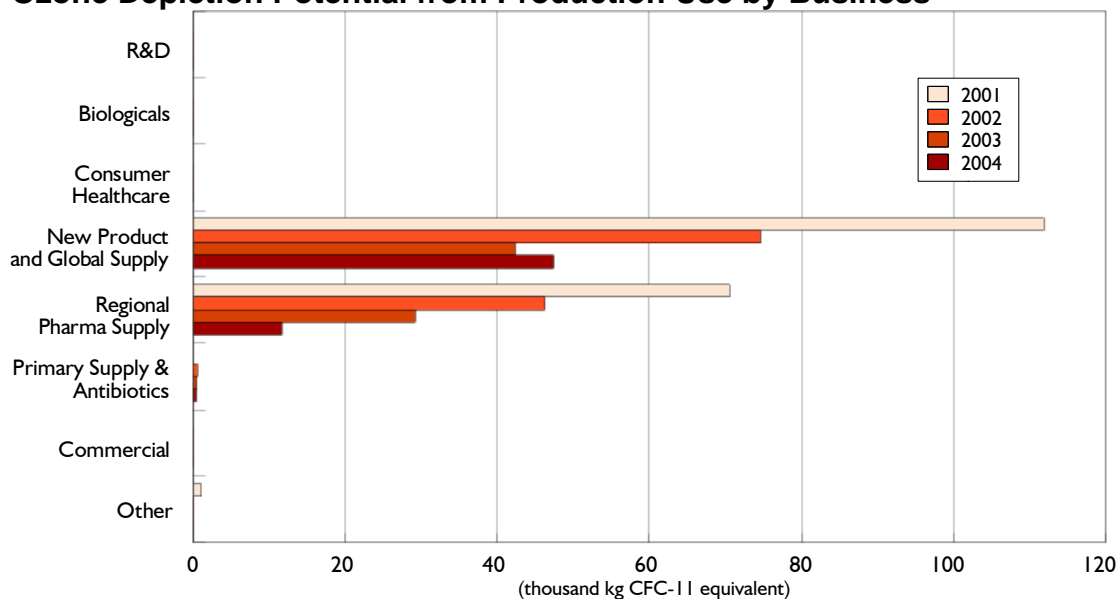
A small proportion of the CFC used to manufacture Metered Dose Inhalers (MDIs) is released during the manufacturing process. We are working to eliminate use of ozone depleting substances (ODSs) in MDIs by switching to HFC and dry powder inhalers (see metered dose inhalers in this report).

Performance

Ozone Depletion Potential from Production Use



Ozone Depletion Potential from Production Use by Business



Ozone depleting substances released from production activities

Substance	Kg	Factor	Ozone Depletion Potential
CFC11/R11	12,634	1	12,634
CFC12/R12	46,304	1	46,304
1,1,1 TRICHLOROETHANE	265	0.1	27
METHYL BROMIDE	590	0.6	354

Total ozone depletion potential from production decreased by 18.1% since 2003 (67.8% since 2001). Ozone depletion potential from production per unit sales decreased by 13.1% since 2003 (67.5% since 2001) – meaning we have exceeded our 2005 target of a 50% reduction per unit sales since 2001.

As production of CFC-containing MDIs decreases, the amount of CFC lost during production also declines. We will no longer manufacture CFC-containing MDIs in the US after 2005 and in Europe after 2006. We will continue to manufacture them in Bangladesh, China, India and Pakistan until the end of 2009.

Note to Ozone Depletion Potential Charts

We report ozone depletion potential in CFC-11 equivalents as defined by the United Nations Environment Programme (UNEP) Ozone Secretariat (www.ghgprotocol.org and www.ipcc.ch)

Ozone Depleting Substances in Ancillary Equipment

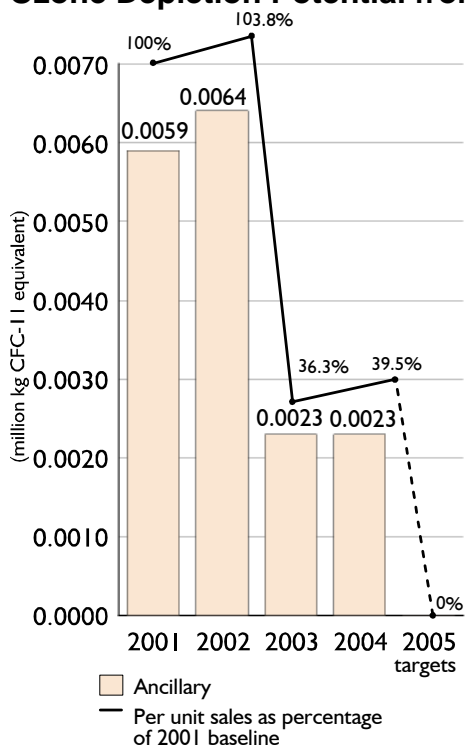
We use ozone depleting substances (ODSs) primarily in cooling systems. We have switched to using hydrofluorocarbons (HFCs) in some ancillary equipment. HFCs do not deplete the ozone layer but do contribute to global warming.

ODSs – mainly HCFCs - are sealed inside cooling systems and are only released in the event of a leak or during maintenance.

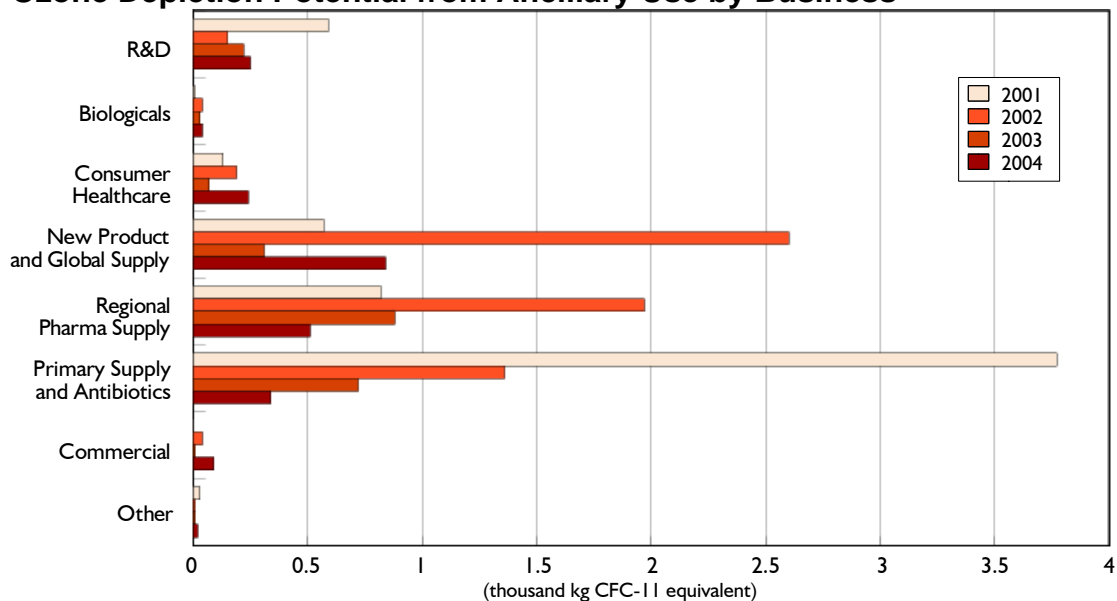
We plan to establish a team in 2005 to develop a business strategy to eliminate ancillary emissions of ODSs. This will closely monitor equipment and put in place recommendations on alternative refrigerants and new equipment.

Performance

Ozone Depletion Potential from Ancillary Use



Ozone Depletion Potential from Ancillary Use by Business



Ozone depleting substances released from ancillary activities

Substance	Kg	Factor	Ozone Depletion Potential
CFC11/R11		934	1
CFC12/R12		314	1
HFC22/R22	16,355		0.055
HFC123/R123	239		0.02
R403a	56		0.055
R408a/FX10	351		0.055
R409a/FX56	262		0.048
R502	136		1
R503		1	1

Total ozone depletion potential from ancillary use did not change from 2003 (but decreased by 61.0% since 2001). Ozone depletion potential from ancillary use per unit sales increased by 8.8% since 2003 (but decreased by 60.5% since 2001).

The current trend indicates that we may miss our 2005 target to eliminate ozone depleting emissions from ancillary use. It has not proved possible to eliminate all emissions during servicing and maintenance of cooling equipment. This means that we need to upgrade or replace equipment to use non-ozone depleting gases. New cooling systems are being introduced – which don't use ozone depleting gases. However, we will not have upgraded or replaced all equipment by 2005.

Note to Ozone Depletion Potential Charts

We report ozone depletion potential in CFC-11 equivalents as defined by the United Nations Environment Programme (UNEP) Ozone Secretariat (www.ghgprotocol.org and www.ipcc.ch)

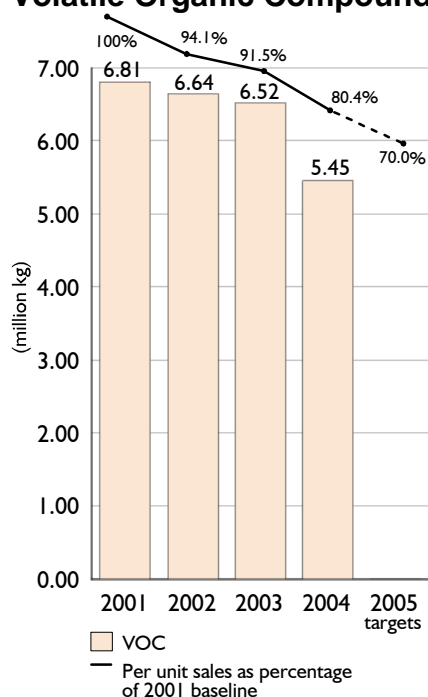
Volatile Organic Compounds

We use volatile organic compounds (VOCs) mainly as solvents in our primary manufacturing operations. In 2004, we released 5.45 million kilograms of VOCs to the atmosphere.

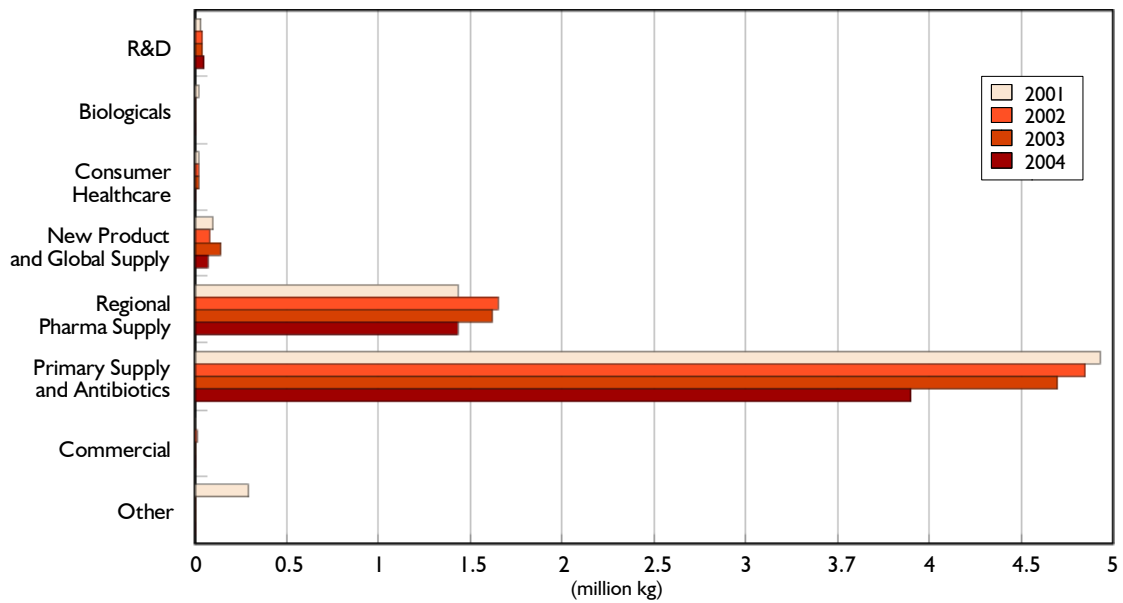
VOCs react with nitrogen oxides in the presence of sunlight, creating ozone in the lower atmosphere. This results in smog, which is a factor in human respiratory illness. Workplace exposure to certain VOCs can also pose a health risk.

Performance

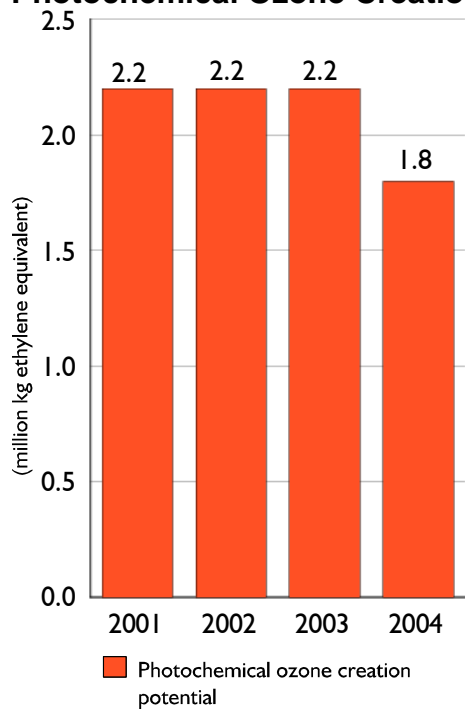
Volatile Organic Compounds Emitted to Air



Volatile Organic Compounds Emitted to Air by Business



Photochemical Ozone Creation Potential



Total VOCs emitted to air decreased by 16.4% since 2003 (20.0% since 2001). VOCs emitted to air per unit sales decreased by 12.1% since 2003 (19.6% since 2001) – meaning we are on track to meet our 2005 target of a 30% reduction per unit sales since 2001.

Photochemical ozone creation potential decreased by 19.3% since 2003 (17.8% since 2001).

Note to VOC Charts

Emissions of volatile organic compounds (VOCs) are measured at GSK manufacturing operations and research and development facilities, including fugitive sources such as evaporation and leaks.

VOCs react with nitrogen oxides in the presence of sunlight, creating ozone in the lower atmosphere. This results in smog, which is a factor in human respiratory illness. We report photochemical ozone creation potential (POCP) in ethylene equivalents. Conversion to ethylene equivalents is based on the European Chemical Industry Council (CEFIC) "Responsible Care HSE Reporting Guidelines" for VOCs (1998).

Case Study

Reducing Solvent Emissions at Ulverston, UK

We use a wide-range of solvents (volatile organic compounds) in the manufacture of Epivir (an antiretroviral), Zinacef and Zinnat (cephalosporin antibiotics) at our site in Ulverston, UK.

We endeavour to use these solvents in a sustainable manner and over 20,000 tonnes of solvent are recovered each year at the Ulverston site for re-use in the manufacturing processes.

We have been working for a number of years to reduce releases of all solvents, including dichloromethane, at the site. In February 2003, the site produced a Solvent Management Plan and Substitution Plan – in line with the requirements of new EU regulations. These were updated in July 2004.

The site is authorised under the UK Environmental Protection Act 1990 to release a maximum of 1,000 tonnes of dichloromethane to air. In 2004, emissions to air totalled 269 tonnes – well below the limit and a reduction of 33% compared with 2003. Over the same period releases of other VOCs reduced by 10% and have declined by 30% over the last five-years. Our target is to reduce emissions of dichloromethane to air to less than 190 tonnes in 2005 and 80 tonnes in 2006.

In 2004, we also reduced the amount of dichloromethane discharged into water by 80% compared with 2003. We aim to reduce this amount to below one tonne in 2005 and below 0.1 tonnes in 2006.

Dichloromethane continues to be used in enclosed equipment and regular monitoring of employees ensures their exposure levels remain low. The levels of all solvents, including dichloromethane, found around the edge of the site are well below guide limits set by the Environment Agency for England and Wales.

Product Stewardship

As well as managing environmental issues at our factories, we look more widely at the life-cycle of our products – from product design to use and eventual disposal. We call this product stewardship.

This section focuses on:

- Product design – how we are incorporating environmental considerations into the design of new products.
- Pharmaceuticals in the environment – what we are doing to understand and minimise the impact of pharmaceuticals released to the environment (following use).
- CFCs in metered dose inhalers – how we are progressing against our target to eliminate the use of CFCs (an ozone depleting gas) from our product portfolio by 2010.

There are a number of other environmental issues associated with our products, including the use of genetically modified organisms and the use of natural resources which may impact on biodiversity. See more on our approach to biodiversity and genetically modified organisms in the GSK website.. The research and development section of this report covers our approach to animal testing.

Product Design

We are working to incorporate environmental considerations into the design of new products. This helps us to reduce waste and improve process efficiency.

Our eco-design toolkit alerts us to potential EHS issues early in the development process. It includes a green chemistry guide, materials guide, green packaging guide, and FLASC (Fast lifecycle assessment for synthetic chemistry). It is available on our intranet.

In 2004, we made further progress in integrating our EHS Milestone Aligned Process (EHS MAP) into our product development and supply processes, including our “design for manufacturing” initiative. Approximately 650 employees in R&D and manufacturing attended training sessions on the EHS Map Process during the year. See business processes for more about EHS Map.

See more on our approach to product design in the GSK website..

Pharmaceuticals in the Environment

When patients use pharmaceuticals, some of the active ingredient may not be completely metabolised and will generally be excreted. Wastewater treatment plants remove most pharmaceutical residues in the environment, but small concentrations do end up in rivers or the sea. In areas without wastewater treatment, higher concentrations are released to the environment.

In 2004, following consultation with external stakeholders, we developed a draft position statement on pharmaceuticals in the environment. This will be completed in 2005.

Internally, we have developed business processes to ensure that we carry out appropriate environmental tests as and when we should. Since environmental risk assessments (ERAs) are part of the new drug approval process in the EU and US, we work with various regulatory agencies to ensure that the potential environmental impacts of pharmaceuticals are understood and minimised. We also work with other pharmaceutical companies, universities and research groups to develop the science and methodologies to assess the environmental risks of pharmaceuticals in the environment and increase understanding of such risks. For example, in the US, GSK has been involved with the Pharmaceutical Research and Manufacturers of America (*PhRMA*) in developing the *PhATE* (Pharmaceutical Assessment and Transport Evaluation) model, a geographically explicit model based on hydrology and population patterns. See more on our approach to pharmaceuticals in the environment in the GSK website.

In 2004, we initiated more comprehensive environmental risk assessments using the *PhATE*[™] model for about 40 active pharmaceutical ingredients (APIs), including paroxetine (the active ingredient in Paxil/Seroxat). These assessments will be published on our website. The underlying environmental fate and effects test data for pharmaceutically active components of GSK marketed products are now being embedded in Safety Data Sheets (SDS). These are available on our website at www.msds-gsk.com.

The risk assessments carried out to date indicate that our products do not appear to pose a risk for humans or the environment based on current methods for ascertaining effect levels. However, we continue to monitor the latest scientific studies and findings to improve our risk assessments in this area.

Metered Dose Inhalers

Metered dose inhalers (MDIs) were first introduced in the 1950s and are used as one of the main forms of treatment for asthma sufferers. They are pressurised, hand-held devices that use propellants to deliver doses of medication to the lungs of patients. CFCs were traditionally used as the propellant because they are non-toxic, non-reactive, non-flammable, odour and taste free.

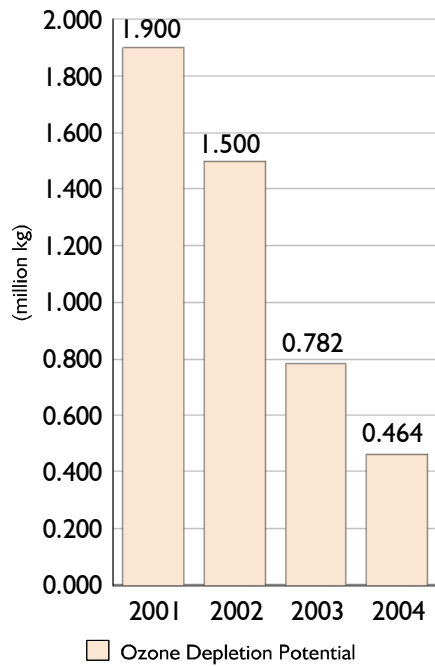
When a patient uses the MDI, the propellant is released into the atmosphere. In 2004, 464 thousand kilograms of CFC propellant were released when patients used our products in the EU and US. A much smaller proportion of CFCs - 59 thousand kilograms - escaped during production (see ozone depleting substances in manufacturing in the GSK website.).

Although the Montreal Protocol bans the production of CFCs, it does recognise a number of "essential uses" which are exempt from the ban. MDIs fall under the essential use exemption and are therefore still allowed to be manufactured.

We plan to eliminate the use of CFCs from our product portfolio by 2010. We now offer a selection of alternatives to CFC-containing MDIs in most countries. The main alternative propellant we use is HFC 134a. We have also invested heavily in dry powder delivery systems that do not use CFCs. We estimate that the total amount we have spent on new plant and R&D on CFC-alternatives is over £550 million (\$1 billion) since we identified this as an issue in the 1980s.

We are also researching alternatives to HFC134a, which has a high global warming potential.

Performance



Ozone depletion potential from patient use of metered dose inhalers decreased by 40.7% since 2003 (75.6% since 2001).

Note to Ozone Depletion Potential Charts

We report ozone depletion potential in CFC-11 equivalents as defined by the United Nations Environment Programme (UNEP) Ozone Secretariat (www.ghgprotocol.org and www.ipcc.ch).

The data only include EU and US.

Suppliers

Our supply chain is complex. It ranges from major strategic relationships with contract manufacturers that make final medicines for us to suppliers of key materials.

We have EHS standards for suppliers. We also include EHS requirements, based on the standards, in our initial agreements with new key suppliers and when we renew contracts.

We conduct regular EHS audits of our key suppliers to assess performance against our EHS standards and key legislation. We also carry out EHS audits before we start working with major new suppliers. We select which suppliers to audit on the basis of risk, including potential hazards. (The audits also cover basic questions on human rights. See human rights and suppliers in the GSK website.)

In 2004, we carried out 35 site-based EHS audits. Sixteen of the audits were in Asia, eleven in Europe, six in the US, one in Canada and one in Mexico. We also carried out four follow-up reviews.

We found a wide variation in performance across the sites audited. The lowest score was 22% and the highest was 92%. We make recommendations to sites following the audits and have a process to monitor progress, with a particular focus on poorly performing sites.

In 2004, three potential suppliers achieved unacceptable EHS scores (less than 30%) and therefore we did not source from them. No existing supplier scored below 30%.

In 2004, we developed an action pack for use by our procurement managers to help them identify the EHS risks associated with procurement activities.

In the US, we signed up to Green Suppliers Network (GSN) – a programme run by the US Environment Protection Agency to help small and medium sized suppliers to reduce their environmental impact. In 2005, we will encourage our suppliers to participate in the project.

Key Audit Findings

Environment

We found the basic elements of an environmental management system at all of the sites we audited and 50% of the chemical sites were certified to the international environmental management standard ISO14001. Most sites had a good understanding of environmental regulations and positive relationships with regulators.

In China and India, we generally found a high level of compliance with regulations and effective management of waste water. However, the lack of infrastructure in these countries presents challenges. For example, the waste disposal options are limited and electricity is generated mainly from coal or poor-quality oil. We also found that air emissions were poorly controlled in a few cases.

Health and Safety

We found that health and safety was generally well managed at sites in Europe and North America. However, we identified some challenges in emerging economies, especially in areas relating to fire prevention and response, occupational hygiene and control of chemical exposure, identification of hazards and risks, and systems for reporting and investigating incidents.

Supplier Performance

We have approximately 80 centrally managed key suppliers, which include both contract manufacturers and suppliers of materials.

We are working towards quantifying the environmental impact of our contract manufacturers. This is a more difficult process than collecting data from our own sites because contract manufacturers are independently managed.

In 2004 we collected data from 14 major contract manufacturers for some core EHS parameters. The contract manufacturers produced 6,185,459 kilograms of product for GSK (including raw materials, primary and secondary manufacturing and secondary packaging). They disposed 37.8 million kilograms of hazardous waste and 4.9 million kilograms of non-hazardous waste. They used 541,535 gigajoules of energy related to energy and transport activities (146,737 gigajoules of electricity, 392,673 gigajoules of other non-transport fuels, and 2,125 gigajoules of transport fuels). Data from these companies are not included in any of the charts and they are not included in the verification by ERM.

See health and safety of suppliers and contractors.

Compliance

As a minimum, we aim to comply with legal requirements on environment, health and safety.

Environmental Fines and Penalties

- Brasov, Romania - 24,333,400 ROL (approximately £409) from local water company for exceeding COD limit
- Zebulon, US - \$100 (approximately £55) from local wastewater authority for exceeding permitted discharge limit for cyanide
- Clifton, US - 4 notices of violation without fines for pH excursions, one of which occurred in 2003
- Zebulon, US - 2 notices of violation without fines for pH, 1 for mercury, 1 for cyanide
- Memphis, US - Hazardous waste inspection resulted in 3 minor violations.
- Ware GMS, UK - unlicensed discharge from IPC AL7014 licensed processes

Health and Safety Fines and Penalties

- Clifton, US - \$900 (approximately £500) OSHA fine for machine guarding incident

Verification Statement

ERM (Environmental Resources Management Limited) was asked by GSK to independently review the environment, health and safety (EHS) sections of its 2004 *Corporate Responsibility* report (at Section 2 'Employment Practice' and Section 11 'Caring for the Environment') and supporting background information provided at GSK.com.

This is the fourth year that ERM has verified GSK's EHS reporting. The objectives of our review were to: check that the information presented is accurate, and that it represents GSK's performance fairly; critically review the completeness and relevance of the information presented; and, assess the effectiveness of GSK's data management systems. All pages that contain verified EHS data are marked with the following symbol



We have focused on understanding GSK's EHS data management and reporting processes and EHS performance. The assessment covered 22 percent of GSK manufacturing sites and 17 percent of the R&D facilities, expanding ERM's coverage of sites compared to 2003.

Overall Findings

Subject to the comments and scope set out below, we believe GSK's *Corporate Responsibility* report covers the key EHS issues that interested parties need to know to inform decision making (i.e. is *relevant*), does not avoid major issues (i.e. is *complete*) and fairly reflects programmes and performance on the ground (i.e. is *accurate*).

ERM Scope

Between November 2004 and March 2005, ERM:

1. Reviewed EHS data management and reporting processes, and performance changes, at a cross-section of sites, through four site visits and 20 telephone interviews.
2. Interviewed personnel responsible for data collation in Corporate EHS (CEHS) and checked sample group data;
3. Interviewed corporate representatives to obtain supporting information on the following EHS programmes: acquisitions and divestitures, contaminated land, climate change and ozone depleting potential, auditing of suppliers and contract manufacturers, and EHS reporting by the Commercial business support team;

4. Participated in the final CEHS data-checking and review process undertaken after the sites had submitted all EHS data; and
5. Checked that the EHS sections of the 2004 *Corporate Responsibility* report reflect our findings.

Findings

Relevance and Completeness

Overall, the EHS sections of the 2004 *Corporate Responsibility* report cover the key issues that are relevant to GSK's business.

Each year, ERM makes recommendations for improvement. In response to an ERM recommendation made in the *Sustainability in Environment, Health & Safety report 2003*, GSK has attempted to collect information on the reasons for changes in site EHS performance. ERM has noted improvement to GSK's reporting of the reasons for performance change in the 2004 EHS report sections.

We have also noted progress made in 2004 in relation to GSK's reporting of transport-related greenhouse gas emissions.

In 2004 GSK obtained EHS performance data from 14 contract manufacturers (versus seven in 2003), as part of its effort to quantify GSK's broader 'EHS footprint'. GSK has focused on collecting key EHS indicator data from business-critical contract manufacturers (this data was not verified by ERM).

Accuracy

This year, corporate data checking processes have been strengthened to increase the quality of the data, through involvement of additional GSK personnel and ERM's participation in the final checking process. GSK also observed ERM's verification process at one site visit. Next year, GSK proposes to use its *myEHS* database system to track data-checking actions with each site.

During 2004, we have seen examples of increased reporting of illness and injury data by sites, which may in part be due to improved awareness as a result of the introduction of the *myEHS* 'Incidents' database. Associated training has been provided to GSK personnel at approximately 100 sites.

ERM identified three material data inaccuracies relating to wastewater quality (COD), wastewater volume, and production use of ozone depleting substances. These were subsequently addressed by GSK to ensure accurate reporting in the 2004 *Corporate Responsibility* report.

ERM identified potentially material under-reporting of EHS data (in particular injury and illness data) by GSK's Commercial business, which includes office-based and field sales-force staff.

Responsiveness

GSK has reported that stakeholders would like GSK to prepare a combined *Corporate Responsibility* report incorporating EHS and would like to better understand management and performance of a number of non-financial

issues. In response, GSK has produced this single web-based *Corporate Responsibility* report, and is in the process of preparing position papers on a selection of issues (e.g. climate change).

Recommendations

ERM recommends that GSK:

- Builds on work undertaken in 2004 to strengthen internal reporting processes, better understand the reasons for EHS performance changes and enable more consistent and explicit external reporting;
- Further improves collection and reporting of performance data from contract manufacturers and suppliers, focussing on those which are business critical and those with the greatest EHS risk profile;
- Improves the accuracy of environmental key performance data by more comprehensively checking completeness of data reported by the operations;
- Supports key operations to more accurately monitor material flows and discharges related to key environmental performance indicators;
- Assesses the potential for material data inaccuracies resulting from under-reporting by GSK's Commercial operations and puts in place improvement programmes to obtain a more complete data set; and
- Reviews the limitations of EHS performance data, in particular the potential scale of statistical uncertainty for target-related key EHS performance data, including transport derived emissions of greenhouse gases.

ERM
March 2005

Progress Towards Targets

Our EHS Plan for Excellence sets out a strategy to improve our performance over the ten-year period to 2010, starting from a 2001 baseline. This includes interim targets to be reached by the end of 2005.

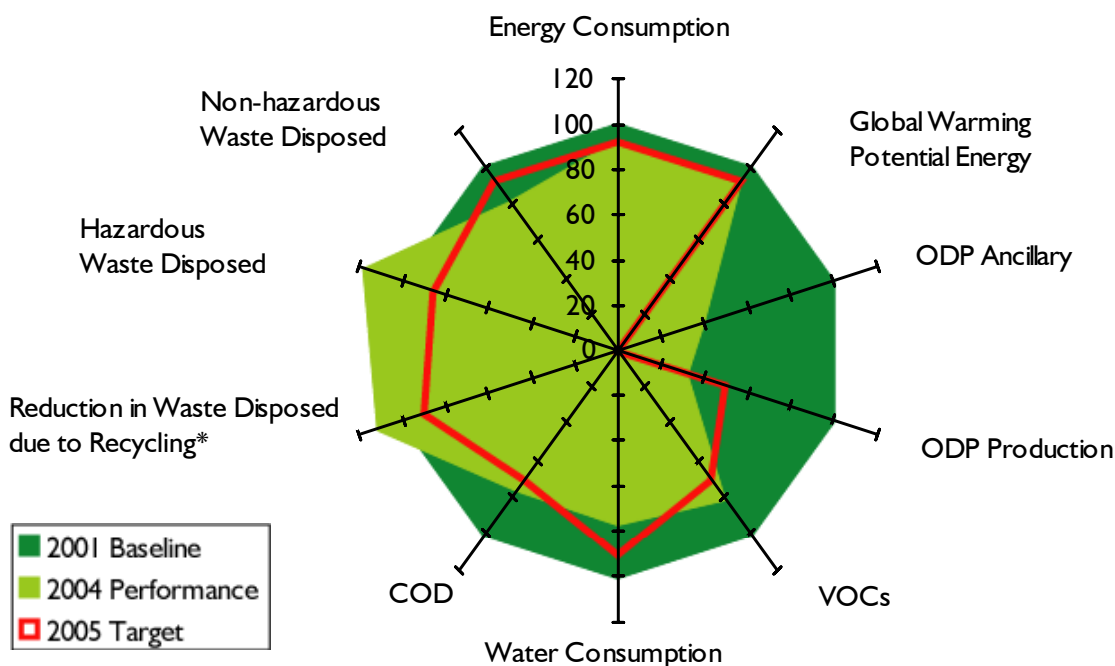
We are on track to meet seven of our ten targets. These cover some of our most important environmental issues, including energy and water consumption, ozone depleting potential, global warming potential, wastewater quality, volatile organic compound emissions and non-hazardous waste. We may not achieve the three targets on hazardous waste, recycling and ozone depletion potential of ancillary equipment by the end of 2005. A fuller explanation of our performance is provided on the relevant pages of this report. Next year we will set new targets for 2010.

Our group targets are based on improvement plans and forecasts from our sites. During the year, we asked all our sites to reconfirm their commitment to the 2005 targets they set in 2001. See more on our approach to setting targets.

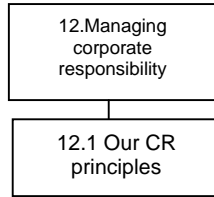
This is a summary of our environmental performance per unit of sales. The graph shows the overall improvement (%) since 2001 and our 2005 targets.

Performance Summary

(expressed as a % change from a 2001 baseline)



MANAGING CR



Management 12

Managing Corporate Responsibility

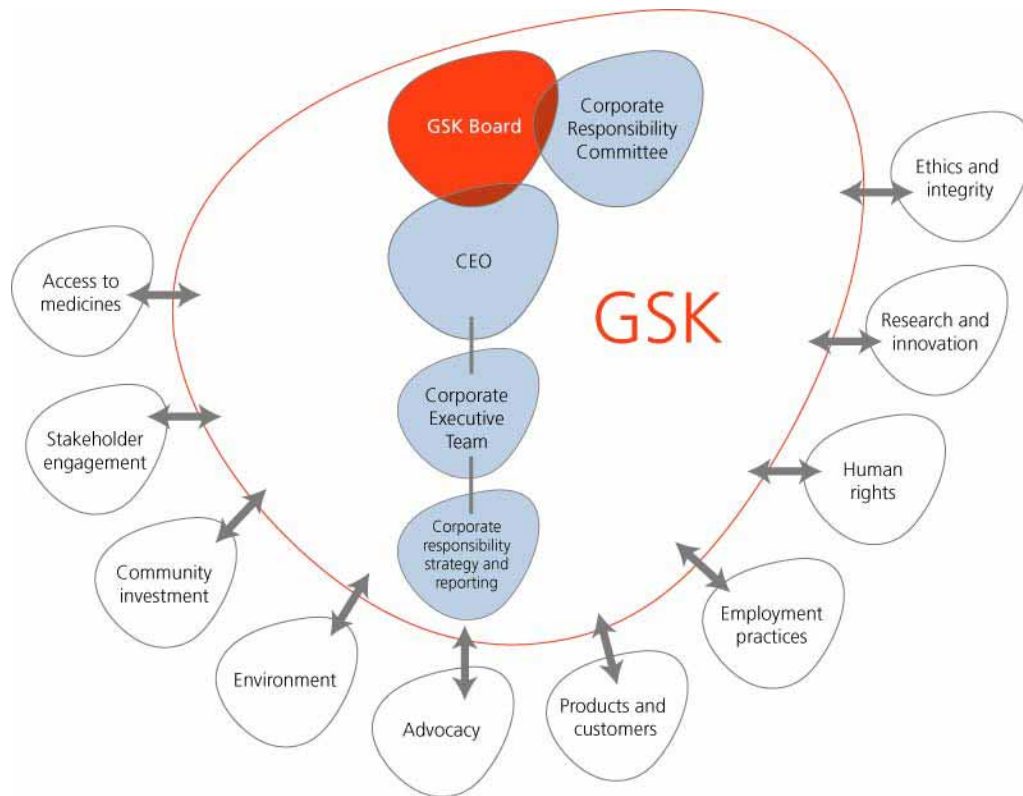
Governance

GSK's Corporate Responsibility Committee consists of non-executive directors and provides a Board-level forum for the regular review of external issues that have the potential for serious impact upon GSK's business and for the oversight of reputation management. It provides high-level guidance on our approach to all CR issues. During 2004 the Committee met three times and reviewed our activity in a number of areas including:

- Access to medicines
- Research and development for the disease of the developing world
- Charitable giving
- Committee effectiveness

GSK's Risk Oversight and Compliance Council co-ordinates internal control and management of significant risks to our business. The Council considers reputational and corporate responsibility risks.

For more information on the CRC and Council, including the Terms of Reference for the CRC see Corporate Governance



Integration of CR Skills

We believe that day-to-day management of corporate responsibility performance is done most effectively within our business operations, where experts on all our CR issues work.

Coordination is provided by a cross-functional team, made up of representatives from key business areas. Their role is to oversee development, implementation and communication of CR policy across GSK. This ensures a comprehensive and consistent approach is taken throughout the organisation.

We also have a small corporate team that co-ordinates policy development, reporting, and communication with socially responsible investment analysts.

For details of our EH&S management see EHS Management.

Stakeholder Engagement

We have frequent discussions with a range of stakeholders, including employees, shareholders, patients, doctors, governments and NGOs, to inform our approach to managing corporate responsibility. See Engagement With Stakeholders.

We have developed Corporate Responsibility principles to guide our activity (see Our CR principles), and in this report we explain our performance against each principle during 2004.

We use external guidelines and frameworks where relevant. This report includes an index based on the GRI Guidelines to aid comparison with other company reports, see GRI Index.

CR Committee Members

Sir Christopher Gent (Chairman of CR Committee)

Sir Christopher is the former Chief Executive Officer of Vodafone Group Plc. He is a non-executive director of Lehman Brothers Holdings Inc; a director of the International Advisory Board of Hakluyt & Co; and is a Senior Adviser at Bain & Co.



Sir Ian Prosser

Sir Ian was formerly a non-executive Director of SmithKline Beecham plc. He was Chairman and Chief Executive of Bass plc (latterly InterContinental Hotel plc) and Chairman of the World Travel & Tourism Council. He is non-executive Deputy Chairman of BP plc and a non-executive director of Sara Lee Corporation. He is also a member of the CBI President's Committee.



Dr Lucy Shapiro

Dr Shapiro is Ludwig Professor of Cancer Research in the Department of Developmental Biology and Director of the Beckman Center for Molecular and Genetic Medicine at the Stanford University School of Medicine. She holds a PhD in molecular biology from Albert Einstein College of Medicine.



Our CR Principles

Our Corporate Responsibility Statement and Principles (below) identify our key corporate responsibility issues and provide guidance for employees on the standards to which the company is committed.

Corporate Responsibility Statement and Principles

The mission of our business - to improve the quality of human life to enable people to do more, feel better and live longer - focuses on the needs of patients. We will achieve this mission through our products and activities, while enhancing the contribution we make to society, sustaining economic performance and operating in an environmentally responsible manner.

Employment Practices

We will treat our employees with respect and dignity, encourage diversity and ensure fair treatment through all phases of employment. We will provide a safe and healthy working environment, support employees to perform to their full potential and to take responsibility for the performance and reputation of the business.

Human Rights

We are committed to upholding the UN Universal Declaration of Human Rights, the OECD guidelines for MNEs and the core labour standards set out by the International Labour Organisation. We expect the same standards of our suppliers, contractors and business partners working on GSK's behalf.

Access to Medicines

We will continue to research and develop medicines to treat diseases of the developing world. We will find sustainable ways to improve access to medicines for disadvantaged people, and will seek partnerships to support this activity.

Leadership and Advocacy

We will establish our own challenging standards in corporate responsibility, appropriate to the complexities and specific needs of our business, building on external guidelines and experience. We will share best practice and seek to influence others, while remaining competitive in order to sustain our business.

Community Investment

We will make a positive contribution to the communities in which we operate, and will invest in health and education programmes and partnerships that aim to bring sustainable improvements to under-served people in the developed and developing world.

Engagement With Stakeholders

We want to understand the concerns of those with an interest in corporate

responsibility issues. We will engage with a range of stakeholders and will communicate openly about how we are addressing CR issues, in ways that aim to meet the needs of different groups while allowing us to pursue legitimate business goals.

Standards of Ethical Conduct

We expect employees to meet high ethical standards in all aspects of our business, by conducting our activities with honesty and integrity, adhering to our CR principles, and complying with applicable laws and regulations.

Research and Innovation

In undertaking our research and in innovating:

- We may explore and apply new technologies. We will constructively engage stakeholders on any concerns that may arise.
- We will ensure that our products are subject to rigorous scientific evaluation and testing for safety, effectiveness and quality.
- We will comply with or exceed all regulations and legal standards applicable to the research and development of our products.

Products and Customers

We will promote our products in line with high ethical, medical and scientific standards and will comply with all applicable laws and regulations.

Caring for the Environment

We will operate in an environmentally responsible manner through systematic management of our environmental impacts, measurement of our performance and setting challenging performance targets. We will improve the efficiency of all our activities to minimise material and energy use and waste generated. We aim to find opportunities to use renewable materials and to recycle our waste.

SUMMARY OF INDICATORS

AND

ABOUT THIS REPORT

Summary of Indicators

These are the main indicators we use to track our performance on a range of corporate responsibility issues.

Issue	2002	2003	2004
Medicines for the developing world			
Supply arrangements for preferentially priced anti-retrovirals (ARVs)	124	175	208
Number of countries supplied with preferentially priced ARVs	50	56	57
Number of Combivir tablets shipped (millions)	6.2	10.7	32.7
Number of albendazole tablets donated (millions)	66	94	67
Number of countries supplied with albendazole	31	34	34
Community Investment			
Total community investment expenditure (£ millions)	239	338	328
Value of humanitarian product donations, including albendazole (£ millions)	24	116	57
Value of products donated through GSK Patient Assistance program (£ millions)	112	125	203
Business ethics and integrity			
Number of employees completing certification to Code of Conduct	700	9,000	9,600
Environment			
Number of contract manufacturers audited	16	28	35
Energy consumption (million gigajoules)	20.0	19.9	19.0
Water consumption (million cubic metres)	24.4	23.0	20.5
Ozone depletion potential from metered dose inhalers (tonnes CFC-11 equivalent)	1500	782	464
Ozone depletion potential from production (tonnes CFC-11 equivalent)	121	72	59
Ozone depletion potential from refrigeration and other ancillary uses (tonnes CFC-11 equivalent)	6.4	2.3	2.3
Volatile organic compound emissions (thousand tonnes)	6.6	6.5	5.5
Global warming potential from energy sources (thousand tonnes CO ₂ equivalent)	1,839	1,833	1,750
Hazardous waste disposed (thousand tonnes)	61.9	60.9	73.7
Health and Safety			
Lost time injury and illness rate (cases per 100,000 hours worked)	0.34	0.30	0.30
Lost time injury and illness rate for contractors working on site (cases per 100,000 hours worked)	0.5	0.33	0.40
Valuing people			
Women in management grades (%)	32	34	35
Ethnic diversity - people of colour (US, %)	19	19.5	19.5
Ethnic diversity - ethnic minorities (UK, %)	-	-	19.8
Research and development			
GSK animal research facilities accredited by the Association for Assessment and Accreditation of Laboratory Animal Care	7	7	10
Number of trials published on GSK Clinical Trial Register	-	-	143

About This Report

This report covers our corporate responsibility activity and performance during 2004. It updates our last corporate responsibility report published on 24th March 2003.

This year we have combined our reporting on corporate responsibility with our environment, health and safety report and are reporting online for the first time. These changes are in response to stakeholder feedback and we hope they will make our report accessible to a wider audience.

Data relates to the calendar year 2004 (except where stated). Environment, data is collected from 83 of our 84 pharmaceutical and consumer manufacturing sites, 4 of our 8 biologicals manufacturing sites and 20 of 24 R&D sites as well as 5 of 6 distribution centres, 4 of the 6 major office locations and 6 of the smaller office and sales locations. Health and safety data covers all our 90 manufacturing sites and 23 R&D sites as well as 6 distribution centres, 6 major office locations and 63 of our smaller offices and sales locations. We include data for sites that were in operation for all or part of the year.

The scope of other data relates to our worldwide operations except where indicated.

The GRI Index shows which elements of the Global Reporting Initiative guidelines are covered in our report or elsewhere on our website.

Corporate responsibility is a large subject and we cannot cover all relevant information in this report. Further background information on our approach to CR is available at the Corporate Responsibility section of our website and information on corporate governance is available in our Annual report.

Verification

The environment, health and safety sections of this report are externally verified by ERM (Environmental Resources Management). Web pages to which the verification applies are indicated by this symbol



See ERM's verification statement in this document.