

Education Investor Event: ESG Performance Report
Investors & Analysts Call
Tuesday, 19 March 2024 @ 13.00 GMT

Introduction | Frances DeFranco, Director, Investor Relations

On behalf of the Investor Relations team, I want officially to welcome you to our first ESG Investor Education Event in 2024 focused on our ESG Performance Report.

Today's speakers

Today I am joined by two speakers: first, Clare Griffin, who is our VP of Reputation and Responsible Business and Claire Lund, who is our VP of Sustainability. The presentation is expected to last around 25 minutes, followed by 20 minutes of Q&A. I shall now hand over to Clare Griffin to set up the call.

Clare Griffin, VP, Reputation & Responsible Business

It's great to be with you all and thanks for having us. We want to anchor this session in GSK's strategy and remind you that we see ESG as being really at the heart of that strategy, baked into how we intend to deliver health impact, shareholder returns and create an environment where GSK people can thrive.

We know that we need to operate responsibly for all our stakeholders and we want it to be a big part of our culture at GSK.

ESG performance to deliver health impact & shareholder returns

We have spent considerable time understanding where our most material ESG aspects are and we have identified six areas. We believe that, if we can get these six areas right, if we can perform strongly in these areas, that will help our company perform and grow over the long term. It will help us build trust for all our stakeholders, who are critical to the success of our company. It will help us reduce risk and, in some places, cost to our operations and, of course, it will help us generate a positive social and environmental impact.

The six areas we are focused on are: access, global health and health security, diversity, equity and inclusion, environment - and we are joined by Claire so we shall have a bit of a deep dive on that - as well as product governance and ethical standards.

Embedding ESG delivery and measurement

We have a really robust governance, accountability and performance measurement framework to ensure that ESG is embedded in our strategy and that we are delivering against our ambitions. We have a Board level Corporate Responsibility Committee, whose role is to oversee our ESG priorities, to provide guidance and, of course, to review our performance. They work very closely with our Audit & Risk Committee, particularly around ESG disclosures and on ESG-relevant enterprise risks, and our Remuneration Committee where we have some aspects of ESG linked to remuneration.

Our GSK Leadership Team plays an absolutely essential role in delivering on our ESG ambitions. We have individual levels of accountability assigned per the six areas. For example, Regis leads on environmental sustainability and Deborah Waterhouse leads on global health. Their objectives are set in relation to the six areas each year. Also we have some aspects of our ESG performance linked to remuneration, so our people aspirations in terms of senior representation on DEI are linked to director bonus, and our environmental sustainability targets and ambitions are linked to a broader senior management population in terms of a long-term incentive.

We have introduced what we call an ESG Performance Rating to drive disciplined focus and clarity on how we are measuring ESG performance. It looks at metrics across our six areas of focus that aim to meet the expectations of our stakeholders, and it is set and reviewed by both the GLT and the Board to check that our targets and measures that make up this are significantly challenging and ambitious.

Overall ESG performance rating

Our overall ESG performance rating is one of our 10 company KPIs. It is made up of 22 metrics aligned to the six areas, so it is a composite measure, and the overall rating is gathered up into a single score as either 'on track', 'on track with work to do' or 'off track'. I am very pleased to report that in 2023 the overall ESG performance rating was measured as on track, based on 95% of the metrics being either met or exceeded.

I should say that the metrics as part of that, and the overall performance rating, are subject to independent limited assurance.

External benchmarking

We think this robust governance, accountability and performance measurement framework really helps GSK to stay in the top quartile in many of the key ESG ratings that are frequently watched by investors, including of course leadership in the Access to Medicines Index, and leadership in the S&P Corporate Sustainability Assessment.

2023 performance highlights across our six focus areas

We will now take a deeper dive into our 2023 performance across our fixed areas of focus. I will start, and then I will hand over to Claire to focus on the environmental performance.

Access

Firstly, on access, we have really strong performance here. We are focused on reaching 1.3 billion people in lower income countries with our products by 2030 and, in 2023, we reached 89 million. That is largely driven by two very important access models that support access at scale whilst enabling us to run a sustainable business. They are the Gavi partnership and so, through the advanced market commitment, we are able to supply *Synflorix*, *Rotavix*, *Cervarix* and so on, and now *Mosquirix* at significant scale, reaching people in low-income countries. Through our voluntary licensing agreement that enables generic manufacture, we are able to provide access to people in low-income countries and middle-income countries to dolutegravir-based medicines. You can see that that arrangement reached 24 million in 2023 across 128 countries. We are rolling out a similar model for the next generation of our HIV medicines such as *cabotegravir* – *cabotegravir* long-acting for PrEP.

Global health and health security

On global health, this is where we are really focused on ensuring that our R&D efforts are focused on diseases that have the highest global health burden, particularly for people in low-income countries. That means focusing on diseases that are infectious, for example TB, malaria, HIV and neglected tropical diseases. We made a commitment in 2022 to invest £1 billion over 10 years in R&D targeting these infectious diseases with such a high burden. We had great progress in 2023, progressing 11 global health pipeline assets to address priority WHO diseases. There is further news on our TB vaccine, which we are working on with Gates MRI later this week.

In terms of health security, our big focus is on AMR. Here, we have more than 30 R&D projects relevant to AMR, including 12 that were progressed in 2023, targeting pathogens deemed particularly

critical or urgent by the WHO or the US CDC, as being relevant to address AMR. These are great examples of how we are targeting our science, technology and talent to focus on global health burden.

Diversity, equity and inclusion

On DEI, we have a set of commitments and ambitions that are focused both on our science, in terms of clinical trial diversity, and on our people, in terms of senior representation and that being diverse. We know that in clinical trials, we want to represent the patients who are impacted by a particular disease, and having them as part of our clinical trials is really important to understand how that particular cyclical thing under study will be effective in that particular patient population. We are therefore delighted that, in 2023, we had all of our Phase III trials including a demographic plan. Moving forward, we are looking towards how we increase enrolment targeting.

Internally, we know that having a diverse workforce helps us perform well and we are focused on the representation of senior leaders. In 2023, 45% of our senior leaders were held by women globally. In the US, 35.7% of our senior leaders identified as ethnically diverse, that was up from 31% in 2022, and in the UK, 18% of our leaders identified as ethnically diverse, up from 14.3%, so again very strong performance on DEI.

Ethical standards

The next two slides are really critical because they focus on the fundamentals we have to get right in terms of ethical standards and product safety and good product governance.

In the ethical standards space, we are focussed on two groups, firstly our employees, so really creating a culture where employees understand our expectations in terms of ethical standards and a culture where people are able to speak up if they feel that things aren't right. We measure training take-up and also this percentage of employees who believe they can and do speak up if things don't go right, and that 83% we achieved in '23 benchmarks really well against the average industry benchmark which is in the high sixties.

The second group we are focussed on is setting standards for our suppliers, and here we are really focussed on the high-risk suppliers. We are asking them to meet certain standards and if they don't, have an improvement plan in place. We beat our target for this year with 89% of direct high-risk suppliers meeting that threshold.

Product governance standards

On product governance, here we are really focussed on patient safety and the quality and reliable supply, systems and processes behind that. This is where we look to many of the regulatory standards that we want to meet, aiming to have very low or zero critical findings from our regulators or inspections, and you can see here that we have met those aspirations.

I am going to stop there and I am going to hand to Claire who will take you through some of the environmental performance.

Claire Lund, VP, Sustainability

Thank you, Clare and again, great to be here with everybody. I will just take us through a bit of a reminder about the targets that we set and then a deep dive into each of those areas.

Environment - 2030 targets (using 2020 as baseline)

Just really a bit of a context setting that we set these targets around climate and nature back in 2020. They haven't changed, and we recognised when we set those targets that actually having a climate and a nature target provided that holistic environmental sustainability strategy. Having climate without nature or nature without climate is half a strategy, so the net zero impact on climate - and you can see some of the sub-targets within there which I will talk about in detail over the next couple of slides, and to say that we had SBTi net zero approval for those net zero targets for 2045 and our glide path for 2030 approved at the back end of last year.

Then on contributing to a nature-positive world, we have broken it down into the new terminology of the 'realms of nature'. Again, I will go into a little bit more detail of for each of those specific areas. Again we were one of the 17 companies to work with the science-based targets for nature and have currently submitted our targets for approval through the SBTN pilot case which we are waiting for the read-out of.

If we go to the next slide, Frannie, I can take us through some more detail.

Operational emissions: 7% overall footprint

Looking at the climate aspect, if I look at the footprint, our operational footprint, that accounts for about 7% of our total overall value chain emissions. The good news is that that continued to go on a downward trend 10% in 2023 from 2022 and overall that is a 27% reduction from 2020. We have increased the amount of renewable electricity to 83% and as you can see, we signed some significant power purchase agreements over the last year, particularly in Europe, covering 50% of our demand across our European sites.

We also have programmes, of course, in energy reduction which is a great operational cost reduction programme, as well as a carbon emissions reduction programme. We are continuing to integrate green chemistry across our sites and R&D facilities, and I shall talk about some of that in our product pieces. Again, we are members of the EV100 and have increased our EV fleet up to 16% in 2023.

Indirect emissions: 93% overall footprint

What you can see here is the vast majority of our emissions footprint - 93% - actually sits outside of our direct operations in our Scope 3 emissions. For GSK, 57% of that sits with patient use, so in our downstream Scope 3 emissions, and 31% sits with goods and services upstream. Therefore, while there was a slight increase in our 2022 data of 4%, overall since 2020 there has been a 10% decline. The reason why I shall talk about the 57% in the footprint is investing in the programme for the low carbon inhaler is fundamental to achieving further reductions in that Scope 3. As you can see, we announced that we are beginning Phase III trials during 2024 and, if successful, that has the potential to reduce the greenhouse gas emissions of that part of the footprint by 90%.

Freshwater: targets and action

I want to talk about nature, and one of the realms of nature is around fresh water. The targets we set initially back in 2020 were around our own sites and operations, so 100% of our sites are now compliant with the Alliance for Water Stewardship's definition of good water stewards. We continue to reduce our water use, but have met our 2020 target in operational reductions already. Then we are looking at high risk water-stressed sites, so where there is quality or access stress in water basins where we either directly have operational sites, or we have key suppliers on whom we are dependent for operations.

Then, of course, on water quality, we have set robust targets and delivered action around antimicrobial resistance of AMR suppliers. One hundred percent of GSK sites are compliant with that standard, and 95% of our key suppliers are compliant with that standard as well. We have expanded that not just to antibiotics but also across to all active pharmaceutical ingredients, which is partially in advance of a lot of legislation coming in this space.

On water, as well, we have launched the Basin Championship for the Godavari Basin in India, which is really looking at a landscape basin approach. As we know a lot with nature targets, they are very local dependent and impactful, so we are really working at a basin scale and driving that collaboration at that scale is what we are really looking to focus on.

We expect some of these targets to slightly evolve with the upcoming science-based targets, but we haven't also waited for action to start getting forward and delivering against these targets and objectives.

Land: targets and action

Using again the definitions around land, this is looking at where we are completing biodiversity assessments and uplift on our own sites and operations. Again, in 2023 we completed 100% of that assessment across our sites and more and more sites are now working on those improvement plans in line with a lot of the uplift guidance for improvement in biodiversity.

On the supplier and sourcing side, we continue to drive the Sustainable Sourcing Standard, working with suppliers and now working with broader networks such as the Pharmaceutical Supply Chain initiative, to really work in collaboration to advance the supplier standards across key materials. You will see again just in terms of our achievements in 2023, 86% of our paper and packaging is coming from certified sources, and 98% of our core palm oil materials are certified as sustainable sourcing. As we are going through, we are adding more and more materials into these programmes, again in line with the science-based targets for nature, and being really grounded in the impacts and dependencies with science behind it.

Oceans: targets and action

Oceans is one of the other realms of nature and you are hearing me use this terminology because we are getting used to the structure for the client-based approach around nature. Again, it lines up with very similar approaches at the moment, which is what are we doing on materials that we are sourcing from the oceans – for example, horseshoe crab blood. How are we approaching those in terms of an ‘avoid, reduce, replace’ structure? Throughout last year, we continued on the programme of reduction, so optimisation of horseshoe crab blood, for example, but also really engaging with regulators and others to start to really drive the opportunity to have synthetic alternatives replacing horseshoe crab blood going forward as well. Altogether, also including making sure that we have sustainable sourcing standards embedded with the suppliers that we are still operating with.

Atmosphere: Action

In terms of atmosphere, which is looking obviously at air quality, which is fundamental to human health, we have aligned with the [Alliance for] Clean Air, through the Clean Air fund, working with the World Economic Forum, where we completed an internal footprint assessment of our supply chain, and then are starting to create key reduction activities around those areas. We have also continued to work collaboratively with the Stockholm Institute to get under the next layer down of data to understand what does that mean, and where can we take some action into that space.

Waste and Materials: Targets and action

The final slide is talking about waste and materials. Again, looking at our own footprint, you will see the theme coming through, which is looking at our own sites and our own operations, and looking outside our walls in terms of the suppliers and the products, and then where we can take positive proactivity, where we need to, with peers, partners and regulators to drive change. If I look again at our own operational footprint, we have continued to reduce our own operational waste but we are also increasing the amount that is circular – so, waste that is actually then re-termed and designed as a useful material. Again, we have looked at materials that we can actually re-use, replace, but also convert into a useable material outside of, potentially, GSK’s walls, or potentially bring back inside again. Solvent recover is a great example, where we are able to optimise the use of our solvent, clean it up, return it and bring it back into the use of our facilities. That is then not only a carbon reduction, and waste reduction, but it is also a cost reduction programme as well.

Looking at our supply chain, and, again, this is now going beyond our walls to look at how we can footprint where waste is in the system, and working with our suppliers to start targeting programmes across that, we launched a programme last year called '30 for 30', which is working with our top 30 suppliers by carbon impact, but bringing water and waste and materials into that engagement programme, and working collaboratively with those suppliers for delivery performance.

The final part I will talk about is the product aspect. We set a target of 25% environmental impact reduction but, realistically, that is about embedding eco-design across all of our products and packaging services. Again, in 2023, we completed that assessment and eco-design is now included in all new products assessments and packaging going forward. Since 2022, we have actually completed 22 lifecycle assessments for our key products, which then actually gives us the prioritisation and the hotspot analysis on where to focus for, again, not only climate and carbon emission reduction, but water, waste and materials across the board as well.

Some examples that we have called out here are moving to e-leaflets, where regulation permits. We have removed PVC from all our secondary and tertiary packaging at our sites, and our Vaccines business has already removed PVC across its blisters and is also looking at advancing blister-free packaging for vaccines and cardboard inserts across the board as well. Those are just a couple of examples in there of how eco-design, embedding sustainability into product design, is actually supporting not only across our climate and nature goals, but also optimising cost, reduction of waste costs, as well for the business.

Part of all of this is how we can continue to either get ahead of regulations coming but also look at the optimisation of cost, business resilience and opportunities, particularly in markets that are now increasing very much the requests for environmental details and footprints of products to be able to access tenders across many markets.

All of this can't be done in isolation. We are part of many groups to really drive collaboration at scale across healthcare's Sustainable Markets Initiative being one, and again I have mentioned the Pharma Supply Chain Initiative among a few others to really drive impact at scale where we need change to happen for our benefit but also for improving healthcare systems benefit as well.

I will just hand back to Clare to wrap up for now. Thank you.

Clare Griffin, VP, Reputation & Responsible Business

Thank you.

ESG resources

I appreciate that that is a real whistle-stop tour of only the highlights of what we have disclosed in terms of our 2023 ESG performance. We would definitely encourage you to spend some time looking at the resources we have available, so obviously our Annual Report has a whole section in it around responsible business, we have the focussed ESG Performance Report which holds a lot of our data. We have our Materiality Assessment and various other documents like our contribution to the SDGs. We have a wide range of our policy positions as well available publicly and we would welcome feedback on this.

With that I think we have some time for some questions.

Question & Answer Session

Frances DeFranco: That's right, so thank you so much, Clare and Claire, for your presentations. Hopefully that was helpful for the attendees on the call.

We do have some time for a Q&A now and if anyone is interested in asking our speakers some questions, just use the raised hand function and then I can allow you to talk and then you can ask your question.

Peter Welford (Jefferies): Hi, thanks. I have two questions and I don't know whether or not you will be answer these. Firstly, just on the low carbon inhalers - and again this is something I don't know whether or not you will be able to comment on - but is the requirement here to merely show that the new inhaler is comparable in a short study and there is no additional patient, I guess, discomfort/safety issue with the new propellant, or is a full-blown Phase III programme required such is the significance of the change?

I am just curious, it seems to be a relatively short timeline that you are targeting to potentially be able to convert from this.

And then related to that, do you envisage actually a change by regulatory authorities essentially forcing use of these once available given the environmental impact, or do you envisage this being something that you will have to, if you like, commercialise and drive individually?

Then the second question is just again related to the disposables part of it in terms of is there anything that you are doing or aren't doing to try and reduce the waste from all the inhaler programmes from the plastics point of view, or is it somewhat limited as to what you can do there, given obviously a lot of them are single use or defined use products?

Frances DeFranco: Thank you. Claire Lund, you are probably the one in the best position and, like Peter said, if we are not in the space for the regulatory or IMD experts, we can always back?

Claire Lund: Yes, thank you. There were a lot of questions there, Peter, so let me try and capture. In terms of the regulatory pathway, I will deflect to the Regulatory Team and we can get an answer back on that, Frannie, in terms of what is expected. The answer I can give you at the moment is we are following the process we have been asked to follow for regulatory approvals.

The piece around commercial strategy, again that is again a bit premature at the moment. That is part of the ongoing review in terms of what the opportunities are by market depending on the regulatory pathway, so again I think there is more to come in that space.

And then the final piece which I think was on the plastics and disposal. The first piece I would say on that actually is those inhalers are recyclable. The plastic is already in recyclable format. Partially it is to do with either local market regulations not allowing kerbside collection of medicines, there are certain countries where that is not allowed. There are certain countries where we have put in place take-back schemes. Malaysia has a live and active take-back scheme at the moment. We ran one in the UK for over 11 years and, unfortunately, the uptake I believe was less than 1% of the total volumes, so I think there is a different solution on take-back that we need to work on, again, collectively with potentially others and more in terms of the market. As I said, ironically the actual plastic is already recyclable, but it depends on the local countries as far as the ability to take that back.

The other answer on some of that take-back piece is that a lot of countries, and specifically the UK, will allow take-back into pharmacies for correct disposal, particularly of unused medicines.

Frances DeFranco: Thank you very much. We had a question that came in around the access models we have and how they are driving that health impact at scale. We did a broad overview of access, Clare, but is there any more you can say about that access model in general?

Clare Griffin: At a principle level, what we are looking for is access models that are going to help our business to be sustainable in terms of financial return and growth but also support access and they vary almost by therapy area. I touched briefly on two that are really driving significant access at scale. One is the voluntary licensing that enables generic manufacture of our dolutegravir-based medicines so - [*connection lost*]

Frances DeFranco: Clare Griffin, I think we may have lost you, because I still see Claire Lund moving. [*Trying to reconnect*] Clare Griffin, if you can hear us, it looks like we have lost connection with you, so we will come back to that. I do have another question that has come in for Claire Lund, so I will come over to you, Claire, and when Clare Griffin comes back, we can come back to the rest of her answer.

Claire Lund, the question that has come in is around our work on the framework with TNFD: can you give any more detail on the experience we have had there, next steps or what we may need to do - just general information that it seems they would like you to talk more about please?

Claire Lund: I hope I won't freeze up as well! Taskforce for Nature Financial Disclosure, in the working group we have been rolling that across the organisation. It has helped us to understand internally looking at nature from a different lens, which is the impacts and dependencies and, of course, the financial implications around that. Again, it helps to reinforce a lot of the strategy we have already put in place around those realms of water, land, materials and biodiversity. We haven't found anything surprising in terms of what we thought we would find but what it has really helped us to do is to drill down even further.

Obviously, the framework is still rolling through at the moment and one of the items we have discovered is traceability of tier N suppliers, which is one of the ongoing challenges. A lot of visibility of Tier 1, 2 and 3 but, when you start to go back particularly to agricultural sourcing, it becomes a lot harder for that direct line of traceability. However, it doesn't stop action which is what we are doing on sourcing standards and traceability of data and action as well.

The TNFD for me is a framework as far as understanding where your impacts and dependencies are. Science-based targets for nature is about understanding the action you should be taking on a

local level to improve the state of nature, so they are, again, two sides of a very similar coin, but the TNFD approach we have found is very helpful from a business perspective, because it really does reinforce particularly the business resilience aspects. We have talked, for example, about water in high risk areas in India, which is also where we have a lot of carbon-intensive processes with our API (active pharmaceutical ingredients) suppliers. Action in those specific targeted areas supports not only business resilience - we can't make medicines and vaccines without water - but also supports the right targeted collaborative action and meets a lot of our climate ambitions and goals as well.

Frances DeFranco: That is really helpful additional context. We don't have Clare Griffin back, but if there are any other questions, I would be happy to take them online.

If not, we meant this to be a short and simple session! We have recorded the session and we will make this available on our website so that you can reference it as needed. Obviously, the issue of the performance report and also all the other researches that Clare Griffin pointed out are available online, and Emily is here to help, so please don't hesitate to reach out.

Thank you all for joining the webinar – we really appreciate it. Have a good day. Thank you.

[Ends]