Materiality assessment 2016
Executive summary

In 2013, GSK carried out a comprehensive materiality assessment in order to help us prioritise the most important and impactful issues to stakeholders and the business. We have subsequently sought external reviews and validation on an annual basis. In 2016, we once again looked to review and validate our material issues incorporating external stakeholder opinions from across different geographies and representing diverse stakeholder groups.

Methodology
As part of the materiality process we worked with AccountAbility, an external agency, to gather stakeholder and business inputs.

Stakeholder inputs
We used a range of methods to gather and understand stakeholder inputs. This included:
- A review of stakeholder engagement information and data, including global reputation research, employee feedback and feedback from investors
- Desk-based research on the prominence of issues across other external inputs (e.g. media scans, reporting best practice, SDGs, Dow Jones Sustainability Index and Access to Medicine Index,)
- Five in-depth interviews with key representatives across a selection of external stakeholder groups that included: investors, NGOs, patient advocacy groups, global consumer product corporations and think tanks/academia.

Business inputs
We were also guided by the importance of each issue to various aspects of our business, including:
- Our values
- Our strategic business priorities
- Customer requirements
- Investor interest
- Product portfolio
- Risk management
- Relevance to our products
- Direct financial impact

The findings of these two research stages were then analysed and assessed against GSK's previous materiality assessment.

## Changes to list of material topics

A number of topic areas were consolidated this year, based on stakeholder feedback, to better reflect our material issues:
- "Talent Attraction and Reward" combined with "Training and Development" to become "Talent, Attraction and Retention".
- "Health & Safety" combined with "Well-Being" to become "Employee Safety & Well-Being"
- "Security of supply" combined with "Product safety and quality" to become "Product safety, quality and supply".
- "Ethical conduct" was removed as the topic felt too broad and it is represented across a number of the material topics.
- Both "Pricing" (previously represented within "Access to healthcare") and "Anti-bribery and corruption" (previously represented within "Ethical conduct") have been added as separate topics this year.

Materiality matrix

Using these inputs, each topic area was assessed in terms of relative high or low importance to stakeholders and the business aspect. The results of this assessment generated scores for the overall importance of each topic to our stakeholders as a whole and our business as a whole.

The resulting 'matrix' of topics is shown below. We use this to inform our approach to reporting and help us prioritise our efforts in relation to responsible business. It's important to note the list of topics shown in the diagram is not exhaustive, but represents the most material issues to our business.
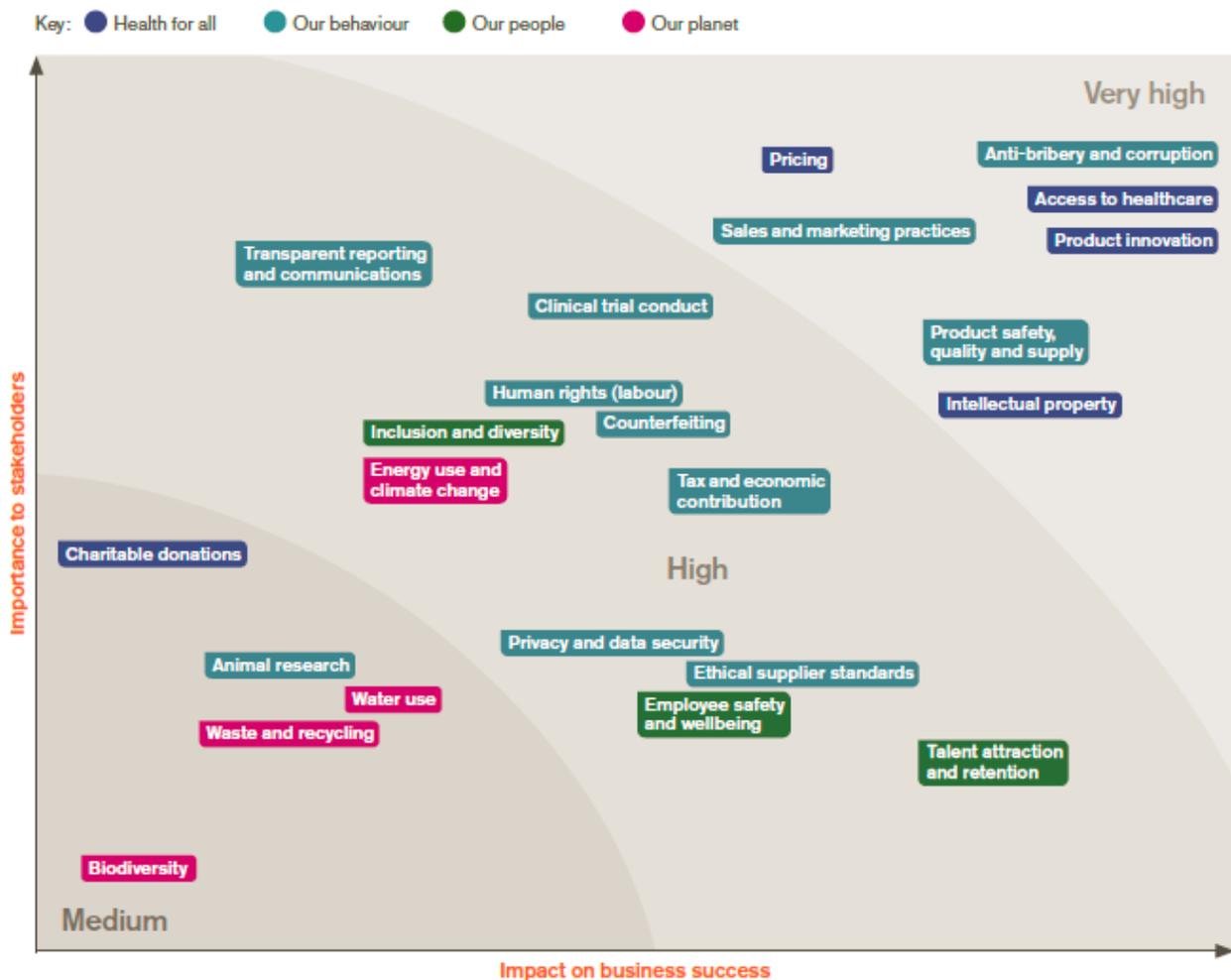
Key observations

We saw several topics increase in terms of importance for our 2016 assessment, for a variety of reasons. Some of these include legislation such as the 2015 Modern Day Slavery Act and international resolutions such as the UN's Sustainable Development Goals leading to an increased impetus on companies to structure, operate, monitor and report on specific issues in a responsible and transparent manner.

From our analysis the three most significant movements in terms of materiality relate to:

- **Human rights (labour):** Since our last assessment, this issue has seen increased media coverage across all industries, the Modern Slavery Act has been introduced in the UK and the issue is included in goal 8 of the UN Sustainable Development Goals.

- **Talent, attraction and retention**: The increased score reflects benchmarking on reporting best practice, and the focus of the Sustainable Development Goals (SDG) – in particular

SDG 3, and SDG 9 regarding the need for increased recruitment, training, development and retention of the health and scientific R&D workforce.

- **Counterfeiting:** the increased importance to stakeholders of this issue reflects increased stakeholder knowledge of the issue. External stakeholders stressed the links to safety and controls, particularly highlighting SDG 3 regarding safe, effective and affordable medicines for all.

In addition, we have created separate topics for "Pricing" and "Anti-bribery and corruption" which are high priority now that they have been separated from previous categories ("Access to healthcare" and "Ethical conduct" respectively).

Validation

This materiality assessment was signed off by our Board-level Corporate Responsibility Committee.

Material topics and issues

Our materiality assessment focuses on 23 material topics. The key issues covered by each topic are illustrated below:

Topic	Issue
Access to healthcare	• Availability of healthcare products • Tailoring products to meet needs • Healthcare infrastructure (including training of healthcare workers)
Animal research	• Animal testing • Alternatives to animal studies
Anti-bribery and corruption	• Conflicts of interest • Theft, fraud and extortion • Facilitation payments • Misuse of company assets
Biodiversity	• Impact on plant and animal life
Charitable donations	• Cash and product donations to charitable organisations • Employee volunteering in the community
Clinical trial conduct	• Patient safety • Aligning conduct with best practice and regulations • Transparency
Counterfeiting	• Fraudulent mislabeling of products (with respect to identity and/ or source)
Employee safety and wellbeing	• Occupational health and safety • Wellbeing and resilience
Energy use and climate change	• Operational eco-efficiency • Value chain energy efficiency

Ethical supplier standards	• Supplier labour practices • Supplier anti-bribery practices • Environmental, health and safety management by suppliers
Human rights (labour)	• Discrimination against gender, race, sexual orientation or other forms of discrimination • Freedom of association and collective bargaining • Employment practices
Inclusion and diversity	• Equal opportunities and treatment of employees
Intellectual property	• Innovation and IP protection in healthcare • Flexible approaches to IP
Pricing	• Pricing of our products
Privacy and data security	• Data privacy for employee, supplier, customer and patient/consumer data • Cyber security
Product innovation	• R&D pipeline across our businesses • Products for unmet medical needs • Global health preparedness
Product safety, quality and supply	• Consumer and patient safety • Product recalls • Availability of supply • Quality assurance
Sales and marketing practices	• Commercial practices • Marketing of our products
Talent attraction and retention	• Training and development • Remuneration practices • Recruitment
Tax and economic contribution	• Tax transparency • Tax strategy • Local economic contribution
Transparent reporting and communications	• Transparent reporting • Public policy and lobbying
Waste and recycling	• Waste to landfill • Recycling • Pharmaceuticals in the environment
Water use	• Water use in our operations and supply chain • Water scarcity