

Mr Andy Griffiths
Executive Director
The Investor Forum
183 Euston Road
London
NW1 2BE

**Sir Jonathan Symonds
Chair**

GSK plc
980 Great West Road
Brentford
Middlesex
TW8 9GS

T +44 (0)20 8047 5565

28 October 2022

Ref: Letter dated 6 October 2022

Dear Andy,

I am writing in response to your letter dated 6 October 2022. Naturally, it is pleasing to hear that the Members of The Investor Forum are encouraged by the successful execution of the demerger of the Company's consumer healthcare business to form Haleon plc.

This is a landmark year for GSK, and the demerger represented the most significant corporate change in the Company's 20-year history. GSK is now a focused global biopharma company with the ambition and purpose to unite science, technology, and talent to get ahead of disease together. It is a Company focused on the science of the immune system, human genetics, and advanced technologies – with world-leading capabilities in vaccines and medicine development across four therapeutic areas.

GSK has made, is making and will continue to make significant improvements in both R&D productivity and operating performance – its ambitions reflect the Company's commitments to growth and mark a significant step-change in delivery for patients, shareholders, and its people.

At the beginning of 2022, in anticipation of the successful demerger of the consumer healthcare business, GSK redefined its operating model to that of a global biopharma company operating through two key segments: Commercial Operations (Commercial) and Research & Development (R&D). In addition, the Corporate and unallocated segment captures activities not specifically captured within Commercial and R&D. Consumer Health was retained as a segment until the Discontinued Operations criteria were met at the end of the second quarter of 2022.

The final strategic move to create one R&D, one Commercial, and one Manufacturing organisation was announced on 25 October 2022, with the departure of Roger Connor, President of Vaccines and Global Health. This change helps simplify GSK's organisational construct, management decision-making processes, capital allocation priorities, and performance management systems reflecting the operating standards of a single, integrated biopharma business with respective Commercial Operations and R&D operating segments.

Segmental Disclosure

As I have outlined above, GSK has transformed its business over the last few years and now operates as an integrated biopharma business, and importantly, management information is, as you would expect, aligned accordingly. GSK's segment reporting construct reflects its new and forward-facing organisational and operating structure, and we firmly believe it is both aligned with IFRS 8 requirements and provides investors and the market with significant amounts of information, enabling a clear and transparent understanding of the progress the business is making towards its ambitious goals. This construct is consistent with the technical requirements of The International Financial Reporting Standards Foundation Operating Segments standard (IFRS 8). Further detail on the requirements of this standard is included in the appendix.

An essential requirement of IFRS 8 is that segment reporting aligns with the performance management system, the financial information provided to the Chief Executive Officer and the responsibilities of the GLT. GSK's Commercial and R&D segments faithfully reflect this alignment enabling rigorous capital allocation decision-making across product groups and therapeutic areas.

The Commercial segment comprises the turnover and operating profit of the biopharma business. To support understanding of the performance within that segment, the Company provides additional disclosures on turnover by product aligned to three product areas: Specialty Medicines, Vaccines and General Medicines. In addition, detailed product turnover across three regions, the US, Europe and International, is provided.

Management accesses gross margin and direct contribution information by product across the product groups. Such information is commercially and strategically sensitive and supports capital and other resource allocation decisions across the entire portfolio. There are material non-customer facing and Global Function costs, which are part of the Commercial segment but cannot be appropriately attributed to individual products or the product groups. Additionally, R&D operations within the R&D segment utilise collective resources across therapeutic areas, with decision-making responsibilities across the entire portfolio.

GSK believes that the level of external disclosure provided is appropriate, valuable, and consistent with disclosure and reporting principles applied by the Company's biopharma peer group. Further detail on peer group disclosure practice is included in the appendix.

Turnover reporting granularity

Your letter notes certain investors' concerns regarding the level of detail provided by "Pharmaceutical" turnover disclosure. As mentioned above, the Company provides turnover detail aligned to the product groups of Specialty Medicines, Vaccines and General Medicines. Included within General Medicines, GSK reports an "Other" line item. Three product line items, formerly reported within Established Pharmaceuticals, have been consolidated into "Other". These are *Imigran/Imitrex*, *Seroxat/Paxil* and *Valtrex*, older medicines which do not form a significant part of GSK's performance. In H1 2022, "Other" comprised £785m, 5.6% of Commercial Operations' £14.1bn turnover. More than 90% of GSK's turnover is reported at a product-specific level within the product areas.

Product margins

Consistent with the peer group, it is not GSK's practice to provide a specific product's margin or a product's impact on a segment's margin, particularly not for products with expected recurring revenue, which is core to the Company's outlook. Such information is strategically and commercially sensitive. Exceptionally, the Company decided to provide additional information on the profit contribution from COVID-19 solutions to help accurate external modelling of GSK's turnover and operating profit outlooks on the basis provided at the Investor Update in June 2021, which excluded the impact of COVID-19 solutions.

Investor feedback

As you know, engagement with the investment community is something that both the Board and management take extremely seriously and as such it is interesting to hear your and your members reflections on these matters. Reflective of the importance we place on this aspect of being a listed company, during 2022, GSK management conducted more than 600 individual interactions with its investors and sell-side analysts through the Company's Investor Relations programme. This programme ensures effective two-way communication with capital market participants and other stakeholders. Again, as you would imagine, we track and analyse the subject matter covered during these engagements closely as they provide an opportunity to re-challenge ourselves and learn from the investors we engage with. In the year to date, 58% of topics discussed related to the R&D pipeline and marketed Specialty Medicines and Vaccines. Financial performance topics accounted for 12% of discussions, primarily focusing on guidance and capital allocation priorities. Overall, approximately 1% of discussions focused to any extent on vaccines product margins.

In conclusion, as a focused biopharma company, GSK believes there are important benefits of operating as a single, integrated biopharma business with respective Commercial Operations and R&D operating segments. The 2026 outlooks the Company provided in June 2021 align with this operating model. Management is confident in its ability to deliver a 2021-26 sales CAGR of more than 5% and an adjusted operating profit CAGR of more than 10%. Our operating model enables a rigorous allocation of capital and other resources to products and programmes across the entire portfolio, which supports the delivery of GSK's commitments, outlooks, and ambitions.

GSK will continue to evolve its reporting and disclosures in alignment with good industry practice and reporting and accounting standards.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Symonds', with a stylized flourish at the end.

Sir Jon Symonds
Chair

Appendix

Technical requirements of The International Financial Reporting Standards Foundation Operating Segments standard (IFRS 8) states (in abbreviated form)

- An entity must disclose information that enables users of its financial statements to evaluate the nature and financial effects of its business activities in which it engages and the economic environment in which it operates. The core principle of IFRS 8 is for the shareholder to be able to see the business “through the eyes of management.”
- “Operating Segment”: a component of an entity that earns revenues (external or internal) from its business activity, for which the operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.
- “CODM”: CODM is a role or function rather than an individual with a specific title. The function of that role is to allocate resources to the entity’s operating segments and assess their performance. The CODM could be either a person, such as an entity’s CEO or a group of people (GSK Leadership Team, GLT). There can only be one CODM.
- Generally, an operating segment has a “segment manager” who is accountable to the chief operating decision maker for the results of that segment. If an operating segment is sufficiently small (less than 10% of the total), it may be aggregated with other small segments.
- In matrixed structures, e.g., product and geography responsibilities, where CODM reviews both and both are available, then operating segments are determined by reference to the core principle referenced above (bullet 1).
- Operating segments can only be aggregated where they exhibit similar long-term economic characteristics. For example, similar long-term average gross margins, and the segments are similar in each of the following respects:
 - The nature of the products
 - The nature of the production processes
 - The type or class of customer for their products
 - The methods used to produce their products
 - The nature of the regulatory environment
- Net operating assets by segment disclosed and then reconciled to total Group assets. Goodwill reviewed by segment.
- IFRS 8 also requires home market, i.e. UK, disclosures for turnover and non-current assets as is given at present.

Sample H1 2022 biopharma peer reporting

Company	Segmentation (excluding 'Corporate/Other')	Sales categorisation	Gross profit categorisation	Operating profit categorisation
GSK	Group (split as below operating segments): - Commercial Operations - R&D	Group (Commercial Operations split by product group as below, product and by geography) - Specialty Medicines (including by Therapeutic area) - Vaccines (including by Therapeutic area) - General Medicines (including by Therapeutic area)	Group	Group (split by Operating segment as below): - Commercial Operations - R&D
Pfizer	Group (split as below operating segments): - Biopharmaceuticals Group - Pfizer CentreOne	Group (split by Therapeutic area as below, product and by geography): - Vaccines - Hospital - Oncology - Internal Medicine - Rare Disease - Inflammation & Immunology - Pfizer CentreOne	Group	Group
Merck	Group	Group (split by Franchises as below and by geography): - Pharmaceutical (including Therapeutic areas with selected product detail): - Oncology - Vaccines - Hospital Acute Care - Cardiovascular - Virology - Neuroscience - Immunology - Diabetes - Other Pharmaceutical - Animal Health - Other revenues	Group	Group
Novartis	Group (split as below Divisions): - Innovative Medicines - Sandoz	Group (split by Divisions as below and by geography): - Innovative Medicines (including Therapeutic areas and product detail): - Haematology - Solid Tumours - Immunology - Neuroscience - Cardiovascular - Other Promoted Brands - Sandoz (by business franchise): - Retail generics - Biopharmaceuticals - Anti-infectives	Group (split as below Divisions): - Innovative Medicines - Sandoz	Group (split as below Divisions): - Innovative Medicines - Sandoz
Roche	Group (split as below Divisions): - Pharmaceuticals - <i>Note: Subdivisional information is also presented for the Roche Pharmaceuticals and Chugai operating segments within the Pharmaceuticals Division</i> - Diagnostics	Group (split by Divisions as below and by geography): - Pharmaceuticals (including Therapeutic areas and product detail): - Oncology - Immunology - Neuroscience - Haemophilia A - Infectious Diseases - Ophthalmology - Other - Diagnostics (including by customer area): - Core Lab - Point of Care - Molecular Lab - Diabetes Care - Pathology Lab	Group (split as below Divisions): - Pharmaceuticals - Diagnostics	Group (split as below Divisions): - Pharmaceuticals - Diagnostics

Company	Segmentation (excluding 'Corporate/Other')	Sales categorisation	Gross profit categorisation	Operating profit categorisation
Sanofi	Group (split as below Global Business Units): - Specialty Care - General Medicines - Vaccines - Consumer Healthcare	Group (split by Global Business Units, product and by geography): - Specialty Care (including Therapeutic areas and product detail): - Dupixent - Neurology & Immunology - Rare Disease - Oncology - Rare Blood Disorder - General Medicines (by product) - Vaccines (including by Therapeutic area) - Consumer Healthcare (by category)	Group (split as below, combining two Global Business Units): - Pharmaceuticals (Specialty Care and General Medicines GBU) - Vaccines - Consumer Healthcare	Group (split as below, combining two Global Business Units): - Pharmaceuticals (Specialty Care and General Medicines GBU) - Vaccines - Consumer Healthcare