

# Answering the Questions that mAtter

Corporate Responsibility Review 2007



GlaxoSmithKline

Do more, feel better, live longer

# Six Questions. Six Answers. One mission.

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Welcome to GlaxoSmithKline's (GSK's) Corporate Responsibility (CR) Review 2007. In this document we summarise our approach to some of the key social, ethical and environmental issues associated with our business. We highlight the progress we made in 2007, some of the challenges we face and answer some of the questions frequently asked by our stakeholders. This Review does not provide a complete account of corporate responsibility at GSK. There is more information in our full CR Report available on our website at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)

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## 2007 highlights

# £3.3bn

Invested £3.3 billion and employed over 16,000 people in R&D

# 1.1bn

Supplied 1.1 billion vaccine doses for prevention of serious disease

# 268m

Tablets of *Combivir* and *Epivir* HIV/AIDS medicines supplied to developing countries. This includes 183 million tablets supplied by generic manufacturers licensed by GSK

# £282m

Community investment valued at £282 million

# 45%

New climate change target adopted to reduce energy use and climate change impact by 45% by 2015

# 22%

Women accounted for 22% of senior managers and 37% of all employees in management grades

Despite advances in healthcare, society still faces huge unmet medical needs. R&D into new vaccines and treatments is essential to benefit patients, families and communities worldwide. This search is at the core of our business and the central responsibility issue for GSK. I am pleased with the progress we made in 2007.

Our sustained investment in R&D continued to pay off with the launch of new products that will make a real difference to global health. Our vaccine *Cervarix* will help to protect women worldwide against cervical cancer. We have already submitted the new vaccine for World Health Organization pre-qualification – meaning it can be used in mass vaccination programmes across the developing world where 85 per cent of cervical cancer deaths occur. *Tykerb*, our new breast cancer treatment holds out new hope for women affected by one of the most aggressive forms of this disease.

There was also exciting news from Phase II trials of our candidate malaria vaccine for African children. Our commitment to malaria is long-standing – scientists in GSK and our legacy companies have been working on this vaccine for over 20 years. If results continue to be successful we may see submission to regulatory authorities of the world's first malaria vaccine for children as early as 2011. We will seek to ensure this vaccine is affordable and available to all who need it.

We are celebrating ten years of our involvement in the Global Alliance to Eliminate Lymphatic Filariasis and 15 years of GSK's Positive Action programme to help people living with HIV/AIDS. Both these programmes have had an enormous beneficial impact on some of the world's most disadvantaged communities. Several countries have now completed their five year lymphatic filariasis elimination plans, freeing future generations from the threat of this disfiguring and disabling disease.

Our commitment to environmental issues was strengthened with the launch of a new climate change strategy. We have committed to reducing our climate change impact and energy use by 20 per cent per unit of sales by 2010 and by 45 per cent by 2015. A lot of work is already underway to make sure we meet these challenging new targets.

Concerns about *Avandia* proved to be one of the year's big challenges. We have responded to these concerns by examining the data in their entirety and working collaboratively with regulators and other stakeholders. We strongly defend our product because we believe it is important that *Avandia* is available to support effective treatment of type 2 diabetes.

The company restructuring programme announced in 2007 will help us remain a competitive and sustainable business. These changes are necessary but have inevitably required us to reduce employee numbers. We aim to treat our employees with dignity and respect and offer a wide range of support for all affected staff.

It is the way we respond to challenges like these that demonstrates the importance of the strong value system on which our business is based. Performance with integrity is integral to GSK and is the foundation of our past and future successes.

I am proud of what GSK has achieved in my time as Chief Executive and confident that our company will continue to make a major contribution to meeting global healthcare needs now and well into the future.



JP Garnier

A blue ink handwritten signature of JP Garnier, consisting of a series of loops and a vertical line at the end.

JP Garnier  
Chief Executive Officer

Sir Christopher Gent is Non-Executive Chairman of GlaxoSmithKline and Chairman of our Corporate Responsibility Committee. Here he answers questions on corporate responsibility at GSK and gives his view on future priorities and challenges for the company.

## Q&A

### Q. What does corporate responsibility mean for GSK? Why is it important?

**A.** Corporate responsibility is about how we engage with society. It's all embracing, particularly for GSK as a pharmaceutical and healthcare company. For us CR is 'built in, not bolt on'. CR concerns issues such as our ethical conduct, animal research, conducting and publishing trials, sales and marketing, employment practices, as well as our performance on access to medicines, sustainability and the environment. It includes our community partnerships, although it is about much more than philanthropy.

### Q. How does CR fit into GSK's business strategy?

**A.** Our company mission is to make people feel better and live longer – the connections to CR are very obvious and fundamental. I don't see a need for a separate 'CR strategy' because CR is so integrated into the purpose of our business and the way we do business. For example, the issue of access to medicines is one of the four cornerstones of our business strategy.

### Q. What are the most significant CR challenges?

**A.** We made good progress this year on some key challenges such as R&D into new treatments and vaccines with particular benefits for developing countries. Our pre-pandemic vaccine for flu came to fruition and we committed to donate 50 million doses to the World Health Organization for use in poor countries. More patients in developing countries were treated with anti-retrovirals supplied by GSK at not-for-profit prices or by our generic licencees.

But other significant responsibility challenges remain unresolved. We are seeing attempts by stakeholders to weaken intellectual property (IP) and extend not-for-profit pricing to a wider range of medicines and to countries beyond the Least Developed Countries. On IP we believe that robust protection is essential to incentivise much-needed R&D. On pricing, we understand that countries with very low healthcare budgets want breakthrough medicines at the lowest possible cost. But we can't sustain the R&D necessary to create medicines if we have to deliver everything at a not-for-profit price. Wealthier countries should not expect to receive the same prices as the world's poorest. Finding the right balance between access and innovation is very complex and will remain a major challenge, but we are committed to working with governments and other stakeholders to achieve it.

I believe we did better this year at communicating about responsibility issues to NGOs and others outside the company. However, while we made good progress on enhancing our reputation through greater transparency and responding to stakeholder needs, there's no doubt that this suffered a setback following the adverse publicity on *Avandia*. We remain committed to communicating transparently with stakeholders on this and other complex issues.

### Q. The pharmaceutical 'blockbuster' business model is being challenged. How do you see this affecting CR?

**A.** There has been a dearth of breakthrough medicines across the industry in recent years. It's not enough to produce a drug that is slightly better than its predecessor. People need to understand that we're researching drugs that bring major medical advances or we won't gain the support of the people who pay for our products.

This is a challenge for the whole industry and one that is causing many companies to think about changes to the business model, including GSK.

The changes in our R&D organisation are producing a strong pipeline and I'm confident we will address the challenge of bringing significant new medicines to market.

### Q. GSK recently announced a restructuring programme. What are the CR implications?

**A.** We operate in a dynamic and challenging environment – although we try to manage with foresight sometimes we have to take difficult decisions. When proposed measures that include job redundancies are brought to the Board our first thought is of the potential impact on people within the business. We are focusing on communicating and consulting with these employees and their representatives. We have a constructive relationship with employees and I believe they understand the nature of the business environment we operate in and why these changes are required.

### Q. What are the future CR priorities and opportunities for GSK?

**A.** I expect challenges to the intellectual property system and demands to extend preferential prices to middle-income countries to remain key issues. We'll need to innovate and test out new solutions to these problems. Partnerships with governments and other stakeholders are likely to play a key role.

On product safety I expect us to continue to be proactive in our communications with patients as well as regulators. When we identify potential issues with one of our medicines we have to communicate this information appropriately.

We've also got to maintain our focus on upholding high standards in sales and marketing.

Sustaining our commitment to transparency will remain a priority. We need to build trust by being open about what we do. This matters for all businesses but especially one like ours which has such an integrated role in society. I anticipate our engagement with stakeholders will intensify and hope this will increase understanding and support for what we are trying to achieve.

# About GSK

GSK is one of the world's leading research-based pharmaceutical and healthcare companies. Our mission is to improve the quality of human life by enabling people to do more, feel better and live longer.

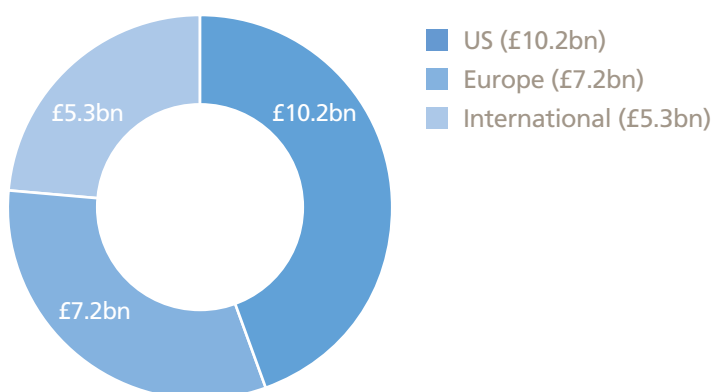
## Key facts

We develop, research, produce and market vaccines and medicines that target serious diseases. Our Consumer Healthcare business includes over-the-counter medicines and nutritional and oral healthcare products.

Our business employs over 100,000 people across the world.

Key statistics			
(£ billion)	2005	2006	2007
<b>Turnover</b>			
Total	21.7	23.2	22.7
Pharmaceuticals	18.7	20.1	19.2
Consumer Healthcare	3.0	3.1	3.5
<b>Total profit before taxation</b>			
	6.7	7.8	7.5

## Turnover by location of customer 2007



## Our products

### Medicines

Our top selling products in 2007 are designed to treat:

- Asthma
- Epilepsy
- Diabetes
- Herpes
- Migraine

### Vaccines

We make over 30 vaccines that protect against a wide range of diseases including:

- Cervical cancer
- Diphtheria
- Hepatitis A and B
- Influenza
- Meningitis
- Polio
- Rotavirus
- Whooping cough

### Consumer Healthcare brands

Our leading Consumer Healthcare brands include:

- Over-the-counter medicines: *alli*, *Beechams*, *Contact*, *NicoDerm*, *Nicorette/NiQuitin CQ*, *Panadol*, *Tums*, *Zovirax*
- Oral healthcare: *Aquafresh*, *Polident*, *Poligrip*, *Sensodyne*
- Nutritional healthcare: *Horlicks*, *Lucozade*, *Ribena*

## Corporate responsibility at GSK

Responsibility is central to our business. We aim to operate in a way that reflects our values, to understand and respond to stakeholder views and to connect business decisions to ethical, social and environmental concerns. We seek to minimise the negative impacts and maximise the positive benefits of our business.

Our business makes a valuable contribution to society through the medicines and vaccines we produce which improve people's lives. However we know that the research, development, manufacture and sale of medicines and vaccines raise ethical issues. Consequently, the pharmaceutical industry is subject to a high level of public scrutiny and sometimes critical media coverage.

Our approach to responsibility, our ability to implement high ethical standards and the openness with which we report our progress are all essential to maintaining good relationships with our stakeholders. These in turn help us to achieve the goals of our business strategy and underpin the future sustainability of our business.

## Further reading

Our Annual Report and Review – [www.gsk.com/reportsandpublications.htm](http://www.gsk.com/reportsandpublications.htm)



#### RELEVANT GSK BUSINESS STRATEGIES

- **Delivering our product pipeline for patients**
- **Improving access to medicines**
- Optimising the performance of key products
- Being the best place for the best people to do their best work

#### HEADLINES FROM OUR CR REPORT

- Invested £3,327 million in R&D in 2007
- GSK products listed in 17 out of 27 therapeutic areas of the WHO Essential Medicines List
- Launched a major new treatment for breast cancer and a vaccine to help prevent cervical cancer
- Created two new research Centres of Excellence
- More academic collaborations than any other UK-based company, with support totalling £16 million

## What is GSK doing to respond to society's healthcare needs?

We make an important contribution to society's needs by researching and developing new treatments and vaccines for unmet medical needs. Our product portfolio and pipeline are targeted at serious diseases in both developed and developing countries.

### What we are doing

Despite revolutionary advances in healthcare over the last century, ill health and disease continue to place a huge burden on society. As a global pharmaceutical and healthcare company, stakeholders rightly expect us to address society's healthcare needs: from the AIDS epidemic in Africa and Asia, to the health needs of an ageing population in the developed world and the huge global growth in chronic diseases such as diabetes.

Our response to society's healthcare needs includes:

- Our range of vaccines which prevent life-threatening diseases
- Our investment in R&D into diseases affecting developing and developed countries

#### Preventing disease

Vaccines play a major role in preventing disease and are an integral element of public health programmes in most countries. Immunisation is acknowledged by WHO as being 'among the most cost-effective of health investments'.<sup>1</sup>

GSK is among the world's top vaccine providers. We have over 30 vaccines approved for marketing and over 20 in our pipeline, one-third of which target diseases particularly prevalent in the developing world. We believe our vaccine pipeline is the largest in the industry.

GSK vaccines are included in immunisation campaigns in 169 countries worldwide. Our portfolio and pipeline cover most of the leading causes of childhood mortality, as defined by the WHO.

In 2007 we supplied 1.1 billion vaccine doses. Of these 78 per cent were shipped for use in developing countries.



We launched *Cervarix*, our new cervical cancer vaccine, in 2007. Eighty-five per cent of cervical cancer deaths are in the developing world. We have submitted *Cervarix* to the WHO for pre-qualification which will speed up the registration process in developing countries. *Cervarix* will be made available to developing countries at reduced prices as part of our tiered pricing commitment for vaccines.

### Investing in R&D

Research and development (R&D) is at the core of our business, with 85 per cent of our revenues derived from the sale of prescription medicines and vaccines. We invested £3,327 million in R&D in 2007 and have over 150 prescription medicines and vaccines in clinical development.

### Treating ill health

Healthcare needs differ between high- and low-income countries, with poorer countries suffering a much higher incidence of infectious diseases.

Our focus is not just on products relevant to high-income countries. For example, our product portfolio includes medicines and vaccines to prevent or treat six of the ten leading causes of death (as defined by the WHO) in both high- and low-income countries. In 2007 GSK had products listed in 17 out of 27 therapeutic areas of the WHO Essential Medicines List.

We have provided more information on how our products and pipeline reflect the global disease burden in our CR Report, see [www.gsk.com/responsibility](http://www.gsk.com/responsibility)

## Q. Is it true that research productivity is falling in large pharmaceutical companies? How is GSK managing this?

**A.** Investment in pharmaceutical R&D has risen while the number of new medicines gaining regulatory approval has remained relatively constant or decreased. We believe there are many reasons for this including:

- An increasing focus on R&D into chronic degenerative diseases (for example Alzheimer's) which are scientifically challenging, require longer clinical trials and have increased failure rates
- Significant investment by industry in new technologies which will help deliver innovative medicines in the longer term
- More extensive requirements from regulators and healthcare payers including the need to conduct larger clinical studies

Our approach is to focus on meeting patients' needs and increasing the effectiveness and efficiency of R&D. For example, we have established Centres of Excellence for Drug Discovery (CEDDs) focused on discovering innovative medicines for a particular therapeutic area. CEDDs combine the entrepreneurial approach of a small company with the resources and reach of a larger organisation. In 2007 we established two new CEDDs to focus on immunoinflammation and infectious diseases.

## Helping to manage chronic diseases in the US



Healthcare costs in the US are a concern for patients, healthcare payers and the pharmaceutical industry alike. The increase in prevalence of chronic diseases such as diabetes and heart disease is a major contributory factor.

We are working with governments and employers to address the problem of chronic diseases while reducing healthcare costs. Our approach, known as the 'triple solution', has three focus areas:

- **Prevention** – addressing the causes of chronic diseases
- **Intervention** – managing chronic diseases to prevent costly complications
- **Innovation** – developing new treatments for unmet medical needs

Ensuring patients are appropriately treated – which includes checkups, diet and exercise and adhering to medical treatment – brings benefits for patients, payers and for GSK. To that end, we work with employers to: identify the diseases that put the greatest burden on healthcare budgets; provide preventive services to workers such as regular health screening; and develop disease management programmes which help employees control their symptoms and stick to their treatment.

So far GSK has worked with more than 200 employers to reduce healthcare expenditure and absence from work due to ill health.

## The future



R&D productivity is a major strategic focus for GSK. We anticipate a renewed focus in a number of areas, including oncology (cancer) and vaccines. We have committed to deriving 20 per cent of our pipeline from biopharmaceuticals (large molecules produced in cells) by 2015 and will continue to focus on neurosciences, which will become increasingly important as the population ages.



## What is GSK doing to improve access to medicines in developing countries?

Providing healthcare is one of the world's most pressing social challenges. The pharmaceutical industry can and should play a significant role. At GSK, increasing access to medicines is one of our four core business strategies.

### RELEVANT GSK BUSINESS STRATEGIES

- **Delivering our product pipeline for patients**
- **Improving access to medicines**
- Optimising the performance of key products
- Being the best place for the best people to do their best work

### HEADLINES FROM OUR CR REPORT

- Conducted R&D into 10 diseases of particular relevance to the developing world
- Successful results reported from Phase II clinical trials of our candidate malaria vaccine for African children
- Committed to donate 50 million doses of pre-pandemic H5N1 flu vaccine to the WHO planned stockpile facility
- 268 million ARV tablets supplied to developing countries, including 183 million tablets supplied by generic manufacturers licensed by GSK
- Not-for-profit prices for ARVs reduced in February 2008
- 1.1 billion vaccine doses shipped, of which 78 per cent went to the developing world
- Explored new approaches to increase access in middle-income countries

### What we are doing

We believe that governments have the primary responsibility for delivering healthcare, supported by intergovernmental agencies and non-governmental organisations (NGOs). We look for innovative ways to work with these stakeholders to increase access without undermining our commercial business interests.

#### Researching new treatments

Continued research and development (R&D) is an essential component of improving healthcare. There are no effective treatments for a number of diseases, particularly those affecting developing countries. In other cases, treatments exist but have become less effective due to drug resistance.

We are currently conducting R&D into 10 diseases of particular relevance to the developing world: bacterial meningitis, chlamydia, dengue fever, hepatitis E, HIV/AIDS, leishmaniasis, malaria, pandemic flu, pneumococcal disease and TB.

We have been working on our candidate malaria vaccine for African children for over 20 years and have invested over \$300 million in its development. Results published in October demonstrated for the first time that infants exposed to malaria transmission can be protected by a vaccine. If planned Phase III trials are successful our candidate malaria vaccine could be submitted for marketing approval in 2011.

Usually we cannot expect to make a profit from new treatments designed specifically for developing countries because there is no viable market. To ensure our activities are commercially sustainable we work with public bodies and foundations which help to fund research and may subsidise the eventual cost of medicines. In return GSK agrees to make the resulting products

For more information see our full Corporate Responsibility Report at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)



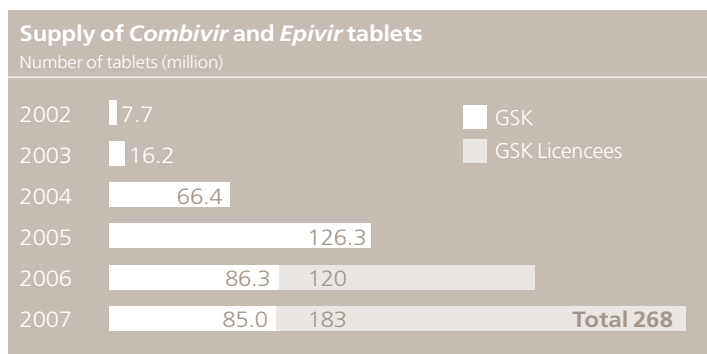
as affordable as possible for the world's poorest countries. Our tuberculosis research, conducted in partnership with the Global Alliance for TB Drug Development, is one example.

### Preferential pricing and voluntary licensing (VL)

We provide our HIV/AIDS and malaria medicines to the world's poorest countries at not-for-profit (nfp) prices. We have also granted eight voluntary licences across sub-Saharan Africa to enable local manufacturers to produce and sell generic versions of our anti-retrovirals (ARVs) to treat HIV/AIDS.

In 2007 our nfp prices for our ARVs included *Combivir* at \$0.65 a day and *Epivir* at \$0.19 a day. Further price reductions to \$0.54 and \$0.17 a day respectively were introduced in early 2008.

We make our vaccine portfolio available at preferential prices to developing countries, using a tiered pricing system. Prices are linked to gross national incomes (as defined by the World Bank) and can be as little as a tenth of those for developed countries.



### Q. Why don't you just donate your AIDS medicines to the world's poorest?

**A.** Like many other stakeholders, including Oxfam and the WHO, we do not believe that donations of ARVs offer a solution to the AIDS pandemic. This is a widespread crisis which requires a long-term commitment to treatment. This commitment cannot be sustained through donations.

In some limited circumstances donations may be appropriate. For example, we have donated ARVs to support collaborative clinical trials to assess the appropriate use of ARVs in resource poor settings.

### Q. Why doesn't GSK extend its not-for-profit prices to middle-income countries?

**A.** We are focusing our preferential prices on the countries where the need is greatest and resources are most limited. We can only continue to do this if relatively wealthier countries pay more.

Middle-income countries are not automatically eligible for the not-for-profit prices offered to Least Developed Countries (LDCs) and sub-Saharan Africa. However they can secure medicines at reduced prices through bilateral discussions with GSK.

## Helping poor countries prepare for a flu pandemic



Scientific experts are warning of a potential global flu pandemic – possibly caused by the H5N1 strain, a form of bird flu. Such an outbreak could result in millions of deaths. There are concerns that poor countries will suffer most because they cannot afford the vaccines and medicines they need to prevent and treat flu.

We are supporting preparations for a pandemic by researching new influenza vaccines and making these available through donations and tiered pricing. Our new pre-pandemic H5N1 vaccine enables immune responses to be obtained using a smaller dose, allowing protection of a greater number of people from the same amount of antigen, the active ingredient in the vaccine.

In 2007 we committed to donate 50 million doses of our pre-pandemic H5N1 flu vaccine to a stockpile. In the event of an outbreak these doses can be rapidly distributed to the world's poorest countries. Our donation will enable 25 million people to be treated with two doses each. Our H5N1 flu vaccine will also be available for sale to the WHO and directly to poorer countries at preferential prices. This is part of our wider commitment to tiered pricing for vaccines.

## The future



Middle-income countries (MICs) are more economically developed than the world's poorest and often have a large and affluent middle-class. Many of these countries are growing commercial markets for GSK. However MICs often have large numbers of people living in extreme poverty and healthcare demands that outstrip available resources. We are exploring new approaches that balance our commercial objectives with our commitment to help increase access. Options being explored include in-country tiered pricing and local sourcing.



## How do you make patient safety a priority?

All medicines have potential risks as well as benefits, although not everyone who takes a medicine will experience side effects. It is important that we identify, evaluate and minimise safety concerns to ensure that the overall benefits of a medicine outweigh any risks.

### RELEVANT GSK BUSINESS STRATEGIES

- **Delivering our product pipeline for patients**
- Improving access to medicines
- **Optimising the performance of key products**
- Being the best place for the best people to do their best work

### HEADLINES FROM OUR CR REPORT

- Developed non-animal techniques to test batches of our new cervical cancer vaccine
- Conducted 203 audits of GSK-sponsored clinical trials
- Initiated a project to improve the usability of our Clinical Trial Register
- Improving our internal monitoring process for payments made to healthcare professionals

### What we are doing

We aim to make our medicines as safe as possible by evaluating the risks and benefits at every stage from initial research, through to clinical trials and then after a new product is approved for sale. In addition the safety of volunteers who participate in our research is of paramount importance. Open communication of the results of our research which provide information on the efficacy and safety of our medicines is also extremely important.

#### Our Clinical Trial Register

Our Clinical Trial Register was launched in 2004 and is designed to supplement prescribing information and the publication of trial results in the scientific literature. Anyone with access to the internet can view our Register at <http://ctr.gsk.co.uk>.

At the end of 2007 there were 3,089 clinical trial summaries on our Register. This includes clinical trials of our major marketed products which have been completed since the formation of GSK in 2000, or that were completed before this and are likely to inform medical judgement.

Our objective is to disclose on our Register the trial result summaries for all new products within 12 months of the product reaching the market. We also aim to disclose the results of trials completed after a product is approved for marketing within one year of trial completion. We met this objective in 2007.

We are re-designing our Clinical Trial Register to improve its usability and make it easier for users to retrieve information. This will include improving the links between the protocol and results for each trial enabling users to directly compare the two, and extending the search function to enable users to search by disease area or for trials relating to a particular medicine.

For more information see our full Corporate Responsibility Report at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)

**Number of summaries of GSK clinical trials on the GSK Clinical Trial Register (cumulative total)**

2004	143
2005	2,215
2006	2,760
2007	3,089

**Working with others**

We are working with governments, industry partners and policy makers in efforts to build an enhanced safety system.

For example GSK is a key partner with the US Food and Drug Administration (FDA), other pharmaceutical companies and academia in the US to explore the development of a new system for the detection of adverse events and benefits of medicines using large healthcare system databases.

In addition, in 2007 we joined with other pharmaceutical companies, academic institutions and the FDA to launch a new patient safety collaboration – the Serious Adverse Events Consortium.

The Consortium aims to improve patient safety through genetic research. Its work will include researching genetic markers that may help predict who is at risk for serious side effects, and using genetic research to identify which patients will benefit most from which medicines.

**Q. Why doesn't GSK publish the results of trials that don't result in marketed medicines – couldn't these help to advance scientific understanding?**

**A.** This is an evolving area and this year we reviewed our policy. Our Clinical Trial Register, which we publish on the internet, includes results summaries of GSK-sponsored trials that do not result in marketed medicines, in the following circumstances:

- GSK-sponsored Phase III clinical trials of investigational medicines that are no longer being developed for any indication by GSK or any third party
- GSK-sponsored Phase II clinical trials of investigational medicines when the research programme has been terminated due to a safety issue associated with the mechanism of action.

**Opening a new research centre in China**



As well as focusing on patient safety, our R&D is expanding in new areas. We are opening a new R&D facility in China which will focus on R&D into neurodegenerative disorders such as Parkinson's disease, multiple sclerosis and Alzheimer's.

The new centre will enable us to increase focus and depth in important disease areas and to benefit from accessing the vast talent pool and knowledge in life sciences in China, while continuing to strengthen our global R&D capabilities. The costs of conducting research in China are relatively lower than those in other markets. However, lower costs are not the reason behind the decision to set up this new facility.

Our R&D in China will be conducted to GSK's global quality and ethical standards – all our R&D policies and monitoring procedures will apply to our operations in China. Significant above-country resource, as well as local resource in China is being committed to ensure that the establishment of our facilities and their subsequent operation complies with both Chinese requirements and GSK's global standards.

**The future**



We are continuing to look for ways to strengthen and improve our R&D practices. For example, informed consent to participate in a clinical trial requires more than just a signature on a page. Ensuring that participants have understood the information discussed with them during the informed consent process is a key challenge. We are looking at ways to further strengthen and enhance the informed consent process. We have launched an initiative called Patient Empowered, which aims to make the informed consent process a distinguishing feature of GSK clinical trials.



#### RELEVANT GSK BUSINESS STRATEGIES

- Delivering our product pipeline for patients
- Improving access to medicines
- **Optimising the performance of key products**
- **Being the best place for the best people to do their best work**

#### HEADLINES FROM OUR CR REPORT

- Carried out a wide-ranging review of our corporate ethics strategy
- 11,000 sales and marketing staff in our Pharmaceuticals International region received training on our revised Pharmaceuticals International Promotion and Marketing Code
- 1,535 employees were disciplined for policy violations, of which 320 were dismissed or agreed to leave the company voluntarily

## What is GSK's commitment to ethical sales and marketing?

Putting the patient first is at the heart of ethical conduct for a pharmaceutical company. This means maintaining high ethical standards during all stages of R&D and once a product is approved for marketing.

### What we are doing

Marketing ethics is a particularly important aspect of ethical conduct for GSK and one that is relevant to patient safety. It is essential that our marketing practices help doctors to prescribe medicines that are in the patient's best interests. We believe that sales representatives play an important role in providing up to date information on our products and their benefits to patients.

#### Our approach to marketing ethics

Some people are concerned that marketing by pharmaceutical companies exerts undue influence on doctors, that sales representatives do not always give doctors full information about potential side effects, or that promotion for unapproved uses may be occurring despite increased training, monitoring and oversight.

Our approach to addressing these issues includes regional marketing codes of practice, detailed policies governing our relationship with healthcare professionals, regular training for employees and an extensive compliance system.

During 2007 we made improvements in a number of areas. One example is our new State Reporting System in the US. This system improves our reporting of expenditure with healthcare professionals, in line with legislation in several US states. It will allow us to identify and investigate situations where excessive meals and gifts may have been provided by GSK.

Questions from doctors on off-label uses for our products must be referred to our medical information department except in very specific instances relating to some oncology and HIV products. In the US, we improved our process for monitoring these referrals to help us ensure that representatives are not promoting off-label uses.

For more information see our full Corporate Responsibility Report at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)



Training included our new Compliance University programme for US field sales managers and marketing staff. The programme provided a half day interactive course on key compliance areas. Senior managers and compliance officers took part to answer questions from attendees, help them explore potential ethical dilemmas and reinforce the importance of the subjects covered.

### Reviewing our ethics programmes

Marketing ethics is one aspect of our broader ethics and compliance programme. In 2007, we completed a thorough review of this programme and identified a number of areas for improvement:

- Recruitment – we have included questions on ethics and integrity in the recruitment process and GSK Managers Interview Guide and will be carrying out more extensive pre-employment checks
- Management objectives – we will be establishing ethical leadership objectives for the top 1,800 GSK managers
- Training – when delivering employee training we plan to include an ethics component and to extend ethics and compliance induction training to new employees worldwide
- Integrity helpline – we will extend our independently managed helpline to all countries where we operate
- Senior management – we are developing new ethics awareness programmes for site directors and general managers who are key representatives of GSK in the countries and locations where they work

### Q. If employees are still being dismissed for unethical conduct, are your policies working?

**A.** In 2007, 320 employees were dismissed or agreed to leave the company voluntarily as a result of policy violations. Unethical conduct occurs in all companies. We believe these figures demonstrate the effectiveness of our monitoring and compliance programmes. Furthering our ethical culture, recruiting the right people, providing the right training and tools, improving our checks, and encouraging people to speak-up, enable us to identify and address unethical conduct in a consistent and responsive manner.

### Q. Is GSK unduly influencing doctors?

**A.** We take several approaches to protect against inappropriate influence of doctors including regional marketing codes of practice, regular training and monitoring. Our policies apply to all employees and agents and commit us to promotional practices that are ethical, responsible, principled and patient-centred. They prohibit kickbacks, bribery or other inducements to doctors, and any promotion for unapproved uses of our medicines. Our sales force is regularly trained and supervised by managers who monitor educational events, visits to doctors and expenses.

## Responsible marketing for our weight-loss treatment



Nearly one-third of US adults are clinically obese and another third are seriously overweight. This is causing a dramatic increase in life-threatening medical conditions, such as heart disease and diabetes.

In 2007, GSK launched *alli* (orlistat 60 mg), the first over-the-counter weight-loss treatment to be approved by the US Food and Drug Administration. It helps overweight adults lose weight by preventing about 25 per cent of dietary fat from being absorbed in the gut. Because the treatment can be bought without a prescription, it is vital that *alli* is marketed responsibly so it is used in the right way and only by those who need it.

Before launching the treatment we distributed over 65,000 education packs to physicians, dietitians and pharmacists to ensure *alli* is sold appropriately and patients receive the right information about the treatment. Our marketing emphasises that *alli* is not a magic weight-loss pill and requires lifestyle changes to produce the right results.

*alli* comes with educational materials and tools to help users plan their meals and develop an exercise programme. A special website, [www.myalli.com](http://www.myalli.com), provides further support.

## The future



We are focusing on implementing the findings from our compliance and risk management strategy review. Challenges include:

- The need to further embed high ethical standards into the GSK culture
- Ensuring a consistent and comprehensive approach is taken across all GSK functions and the different countries in which we operate
- Ensuring our approach continues to meet best practice and reflects changes in the law and stakeholder expectations
- Working to recruit and train high performing, ethical employees



# What is GSK doing to address climate change?

Climate change is one of the most pressing challenges the world faces. GSK wants to be part of the solution and we have launched a new programme to reduce our energy use and climate impact.

## RELEVANT GSK BUSINESS STRATEGIES

- Delivering our product pipeline for patients
- Improving access to medicines
- **Optimising the performance of key products**
- **Being the best place for the best people to do their best work**

## HEADLINES FROM OUR CR REPORT

- Committed to reducing our energy use and climate change impact from 2006 levels by 20 per cent per unit of sales by 2010 and by 45 per cent by 2015
- Continued on target to eliminate CFCs by the end of 2010
- Met annual targets for reduction in water use and wastewater pollution

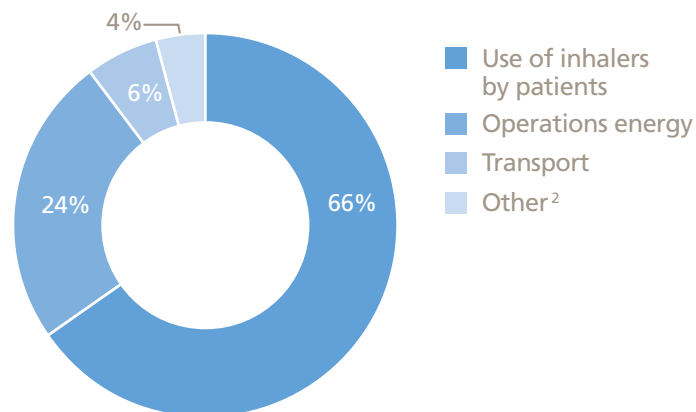
## What we are doing

As well as benefiting the environment, taking action on climate change makes good business sense. It helps us cut costs, improve our reputation with stakeholders and prepare for future legislation on emissions.

### Our footprint

In 2007, our carbon footprint was equivalent to 6.9 million tonnes of CO<sub>2</sub> compared to 6.8 million in 2006. The majority of our emissions come from the use of inhalers by patients with respiratory disease (see pie chart), and in 2007 the use of these medically important devices increased, with emissions from inhalers increasing from 4.3 million tonnes of CO<sub>2</sub> to 4.5 million tonnes.

### Climate change impact by source



For more information see our full Corporate Responsibility Report at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)

<sup>2</sup> Includes climate change impact from greenhouse gases released: from cooling systems, during the production of inhaler products, from wastewater treatment and other processes



If we exclude the use of inhalers, our carbon footprint reduced from 2.5 million tonnes of CO<sub>2</sub> in 2006 to 2.4 million tonnes in 2007, reflecting energy efficiency progress across the business.

Our climate change impact targets are for operations energy and transport, and are normalised by sales based on a constant exchange rate. In 2007 these emissions decreased by 1.6% from 87.3 to 85.9 tonnes of CO<sub>2</sub> per £ million sales.

### **GSK's climate programme for operational energy**

Building on the success of our 2001 to 2005 programme to reduce energy use and related climate change impact, we launched a revised programme in 2007 to reduce our carbon footprint. This commits us to new targets to reduce our energy use and the climate impact of our operations and transport, normalised by sales.

We will achieve these targets by making our buildings and equipment more energy efficient and buying electricity produced from renewable sources; installing onsite renewable technologies such as wind turbines and photovoltaic panels; and reducing the climate impact of travel and transport by switching from air to sea freight and by transporting more per load to reduce the number of journeys needed.

Our Board has approved a central fund to finance energy saving projects across GSK.

### **Impacts from inhaler products**

Only two per cent of our inhalers now contain chlorofluorocarbons (CFCs) as propellants and we have committed to a complete phase out by the end of 2010. About 60 per cent of our inhalers contain hydrofluoroalkanes (HFAs) which have a lower climate change impact and we are still exploring ways to reduce the amount of HFAs released from these inhalers. Over one-third of our inhalers are now dry powder inhalers with no propellant and therefore no climate change impact during use.

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### **Q. How can the pharmaceutical manufacturing process be made more efficient?**

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**A.** Making medicines is highly regulated and is complicated due to the number of process steps required. We know that there is more we need to do in this area and we have set a target to double the average materials efficiency of manufacturing processes for new products introduced between 2006 and 2010.

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### **Q. Are pharmaceutical residues present in drinking water and are they a risk to humans?**

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**A.** Our studies have shown that GSK pharmaceutical products are either not present in watercourses, or are present at low concentrations. Our risk assessments demonstrate that these concentrations do not pose a risk to human health. But we are not complacent and we continually monitor the latest scientific studies and findings to improve our risk assessment methodology.

## Saving energy in Singapore



Our site at Jurong in Singapore has reduced its energy use by 13,000 MWh per year since 2002 through a comprehensive energy savings plan. This prevented a projected 40 per cent increase in energy use and saved a total of 22,269 tonnes of CO<sub>2</sub> since 2003. The plan includes:

#### **Involving GSK employees**

Regular awareness campaigns to educate employees about energy saving behaviour. Energy reduction targets are built into personal development plans and employees who achieve their goals are recognised through excellence awards.

#### **Improving the efficiency of equipment**

Improvements to site air conditioning and ventilation systems to cool down equipment more efficiently and reduce energy use. During regular maintenance, equipment and parts are replaced with the most up to date and energy efficient options available.

#### **Installing new technologies**

Solar panels to provide renewable energy to the site.

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## The future



In 2007 we identified 400 energy saving opportunities at many of our sites. A cross-business team has been set up which will manage selection and implementation of these projects in 2008. We will continue to phase out CFCs and explore ways to reduce the amount of HFAs released from our inhaler products.



## How do you support disadvantaged communities?

We invest money, time and equipment to support disadvantaged communities. Our programmes are long term and help prevent disease and build healthcare capacity in the developed and developing world. We also support projects to improve science education.

### RELEVANT GSK BUSINESS STRATEGIES

- Delivering our product pipeline for patients
- **Improving access to medicines**
- Optimising the performance of key products
- **Being the best place for the best people to do their best work**

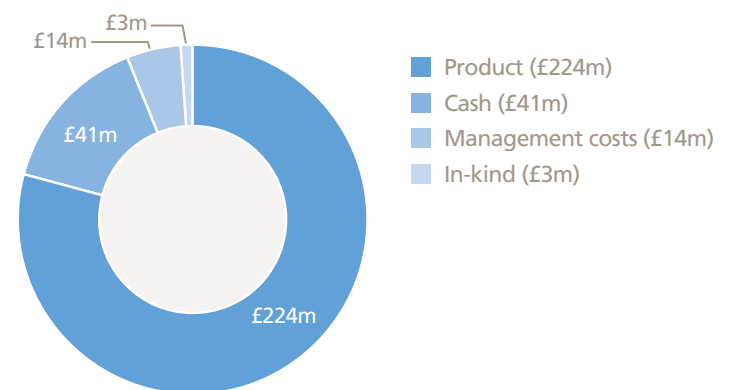
### HEADLINES FROM OUR CR REPORT

- Made donations valued at £282 million – equivalent to 3.8 per cent of pre-tax profits
- Donated life-saving antibiotics and other medicines valued at £16 million to support disaster and humanitarian relief in 107 countries
- January 2008 marked 10 years of commitment to eliminating lymphatic filariasis (LF), a disabling tropical disease, with over 400 million treatments administered so far
- 15 years of Positive Action, supporting communities living with HIV/AIDS

### What we are doing

In 2007, our community investment was valued at £282 million (\$564 million) compared with £302 million (\$558 million) in 2006. This is equivalent to 3.8 per cent of Group total pre-tax profits (3.9 per cent in 2006). This year on year change is primarily due to sterling/dollar exchange rate movement.

#### Method of giving (£million)



Here we feature two examples of our recent community investments.

#### Preventing disease – micro-finance and malaria

Micro-finance institutions (MFIs) provide small loans to help poor people start businesses. MFIs financing women in West Africa found that malaria was a cause of clients missing their repayments. With support from GSK, the NGO Freedom from Hunger developed a malaria education curriculum for MFI clients to improve prevention, early detection and treatment of malaria in the home.

For more information see our full Corporate Responsibility Report at [www.gsk.com/responsibility](http://www.gsk.com/responsibility)

The education programme has now been introduced in six West African countries reaching 865,000 people. An impact study assessing the results of the project was completed in 2007. This showed that the programme:

- Improved recognition of the cause of malaria and knowledge that pregnant women and under fives are most vulnerable
- Improved knowledge of preventative measures and increased ownership of mosquito nets
- Doubled the likelihood that participants re-treat mosquito nets with insecticide within six months
- Increased the likelihood that women of reproductive age and children under five sleep under an insecticide-treated net

The study also showed that education must be accompanied with financial support. The most common reasons for non-use of mosquito nets were their expense and lack of local availability.

### Building community capacity – Positive Action

This year marked the 15th anniversary of Positive Action, GSK's programme to support the communities most affected by HIV/AIDS and counter ignorance and stigma surrounding the disease.

In Kenya, discrimination prevents many HIV positive people seeking treatment. Positive Action is partnering with the African Medical and Research Foundation (AMREF) to help people get the care they need within their community through the Zingatia Maisha (Positive Life) programme. This works to reduce stigma by educating health centre staff and community groups about HIV/AIDS. It also supports members of community groups who are living with HIV, helping to increase referrals and adherence to treatment.

Zingatia Maisha has been running for a year and has helped increase treatment adherence rates to as high as 92 per cent in some clinics. Over the three years of the project 38 health facilities will take part.

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#### Q. How do you decide what programmes you are going to support?

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**A.** Our philosophy is to target support on selected programmes that are innovative, sustainable and which produce tangible results. Regional business managers are involved in the strategy and governance to ensure that programmes supported by GSK fulfil community needs. Most programmes are identified proactively through needs analyses and consultation with partner organisations; this means that we are unable to support most of the unsolicited requests that we receive.

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#### Q. How do you ensure the sustainability of the projects you support?

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**A.** We recognise that it takes time to achieve change so we mainly support long term programmes. However, we help our partners prepare for when GSK funding comes to an end. We ask them to produce an annual progress report so they can demonstrate successes to potential new donors. This evidence can help attract donors.

## Eliminating LF – ten years on



January 2008 marked ten years since GSK committed to donating as many doses of albendazole, our anti-parasitic drug, as are needed to eliminate LF, one of the world's leading causes of permanent disability.

In 2007 GSK donated 150 million treatments of albendazole to 19 countries. Since the programme began we have donated almost 750 million tablets and over 130 million people have been treated at least once. We estimate that 24 million babies born in the treated regions since the programme started have been spared the risk of contracting LF.

Each country aiming to eliminate LF must treat all at-risk people once a year for at least five years. So far, Egypt, several Pacific Island countries, Sri Lanka, Zanzibar and Togo have completed five annual mass drug administrations. These countries are monitoring their populations to evaluate the impact of the programme. Assessments conducted in Egypt and Vanuatu, a Pacific island nation, showed that LF has been eliminated in most areas of the countries.

## The future



In 2008 we expect to donate up to 300 million tablets of albendazole, our anti-parasitic drug for the prevention of LF, our largest donation to date.

As part of our 15-year celebration for our Positive Action programme we will be launching new projects and sponsoring the Global Village at the International AIDS Conference in Mexico.

We will continue to expand PHASE – Personal Hygiene And Sanitation Education – our hand-washing programme to prevent illness from diarrhoea-related diseases. This will include introducing PHASE to the Millennium Village project in Africa which employs science-based interventions to meet the Millennium Development Goals.

# Managing corporate responsibility

Our Corporate Responsibility Statement and Principles define our approach to our key responsibility issues and provide guidance for employees on the standards to which the company is committed.

## Our approach to responsibility

### Corporate responsibility governance

Our Corporate Responsibility Committee (CRC) of Non-Executive Directors provides high-level guidance on our approach to CR. The Committee meets three times a year to review our policies and progress on our CR Principles. The CEO and members of the Corporate Executive Team (CET) are actively involved in CR and participate in CRC meetings.

Our Risk Oversight and Compliance Council coordinates the management of significant business risks. The Council also considers reputational and corporate responsibility risks.

CR covers a very diverse range of issues so we believe it is best managed within our business functions, where the relevant subject experts work. We have a cross-functional team made up of representatives from key business areas which coordinates CR management. The members are senior managers with direct access to our CET. We also have a small central CR team to co-ordinate policy development and reporting.

### Our material issues

Our CR reporting is focused on the most material (significant and relevant) issues for our business.

We have identified the following responsibility issues as most material to GSK:

- The contribution our core business makes to health through research, development, manufacture and the sale of medicines and vaccines
- Increasing access to medicines in underserved communities
- Ethical standards in research, and sales and marketing
- Our environmental impact, particularly climate change

### External assurance and reporting standards

The information supplied in the EHS and Access to medicines sections of our full CR Report has been externally assured by independent, third-party assurers.

We include indexes in our full CR Report to show where our reporting is aligned to the requirements of the Global Reporting Initiative and the UN Global Compact.

### Stakeholder engagement

Stakeholder engagement enables us to connect with the views and opinions of the societies in which we operate. It helps us identify important issues and shape our responses in the interest of our shareholders and wider society. Regular engagement means we are better informed of emerging and current issues and changing societal expectations. It provides an opportunity for us to voice our approach to responsibility issues, obtain important feedback and build trust.

Most of this discussion takes place in the normal course of business. For example, our scientists regularly meet with academics, researchers and other pharmaceutical companies through advisory boards and medical conferences.

Specific examples of stakeholder engagement in 2007 are included in our full CR Report.

### Public policy

The pharmaceutical industry is highly regulated. Government policy and legislation can have a significant impact on our business so it is important that we engage with governments and other stakeholders in the legislative process.

Through our public policy activity we work towards legislation that encourages scientific innovation and balances the interests of business with those of other stakeholders.

Some stakeholders are concerned that the pharmaceutical industry has too strong an influence over governments. However, we believe we must engage with policy makers around the world responsibly to benefit patients and our business. We aim to increase stakeholder trust in GSK by being transparent about our lobbying and public policy work.

These are some of the key issues we engaged on during 2007:

- Preparation for a flu pandemic
- Investment in chronic disease prevention and treatment
- Legislation on prescription medicine imports
- Patent system reform
- EU regulation on clinical trials for children
- Compulsory licensing in Thailand
- Healthcare and intellectual property rights in India

More detailed information on our public policy positions and activity during 2007 is available in our full CR Report.

### What do you think?

We welcome your feedback on any of the information contained in this Review. Please contact us at: [csr.contact@gsk.com](mailto:csr.contact@gsk.com)

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# Data summary

	2003	2004	2005	2006	2007
<b>Access to medicines</b>					
Number of countries supplied with GSK preferentially priced ARVs <sup>1</sup>	56	57	56	51	<b>31</b>
Number of <i>Combivir</i> and <i>Epivir</i> tablets shipped (millions) <sup>1</sup>	16.2	66.4	126.3	86.3	<b>85.0</b>
Number of generic ARVs supplied under licence from GSK (millions)	–	–	–	120	<b>183</b>
GSK <i>Combivir</i> not-for-profit price (\$ per day) <sup>2</sup>	1.7	0.65	0.65	0.65	<b>0.65</b>
Voluntary licences granted to generic manufacturers for GSK ARVs (cumulative total) <sup>3</sup>	–	6	7	9	<b>9</b>
Value of products donated through GSK Patient Assistance Program in the US (£ millions)	125	203	255	200	<b>194</b>
<b>Research and development</b>					
Expenditure on R&D (£ billions)	2.8	2.9	3.1	3.5	<b>3.3</b>
GSK animal research facilities accredited by the Association for Assessment and Accreditation of Laboratory Animal Care <sup>4</sup>	7	10	10	10	<b>10</b>
Number of trials published on the GSK Clinical Trial Register (cumulative total)	–	143	2,125	2,760	<b>3,089</b>
<b>Ethical conduct</b>					
Number of employees completing certification to the GSK Code of Conduct	9,000	9,600	>12,000	>12,000	<b>&gt;14,000</b>
Number of contacts through our ethics compliance channels <sup>5</sup>	–	2,580	3,644	5,363	<b>5,265</b>
<b>Employment</b>					
Women in management grades (per cent)	34	35	35	36	<b>37</b>
Ethnic diversity – people of colour (US, per cent)	19.5	19.5	19.6	19.8	<b>20.1</b>
Ethnic diversity – ethnic minorities (UK, per cent)	–	14.8	14.9	18.3	<b>19.1</b>
Lost time injury and illness rate (cases per 100,000 hours worked)	0.30	0.30	0.30	0.33	<b>0.33</b>
<b>Environment</b>					
Number of contract manufacturers audited	28	35	41	36	<b>55</b>
Energy consumption (million gigajoules)	20	19	20	19	<b>19</b>
Water consumption (million cubic metres)	23	21	22	22	<b>21</b>
Ozone depletion potential from metered dose inhalers (tonnes CFC-11 equivalent) <sup>6</sup>	782	464	273	186	<b>136</b>
Ozone depletion potential from production (tonnes CFC-11 equivalent)	72	59	51	33	<b>15</b>
Ozone depletion potential from refrigeration and other ancillary uses (tonnes CFC-11 equivalent)	3	3	3	1	<b>1</b>
Volatile organic compound emissions (thousand tonnes)	6	5	5	4	<b>4</b>
Global warming potential from energy sources (thousand tonnes CO <sub>2</sub> equivalent)	1,756	1,667	1,716	1,688	<b>1,667</b>
Hazardous waste disposed (thousand tonnes)	58	71	65	70	<b>68</b>
<b>Community investment</b>					
Total community investment expenditure (£ millions)	338	328	380	302	<b>282</b>
Value of humanitarian product donations, including albendazole (£ millions)	116	57	41	38	<b>30</b>
Number of albendazole tablets donated for prevention of lymphatic filariasis (millions)	94	67	136	155	<b>150</b>

1. Includes ARVs sold at not-for-profit and discounted prices. We are unable to collect data for the number of patients treated.

2. Includes freight and insurance costs. The Médecins Sans Frontières pricing report lists the average cost of generic equivalents.

3. Only eight are currently in force.

4. This covers approximately 92 per cent of animals used in GSK facilities.

5. Includes contacts with line managers, compliance officers, our confidential integrity helplines or off site post office box (in the US).

6. 2002 to 2004 data do not include inhalers made in Asia.

## Trademarks

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