

Answering the Questions that mAtter

Corporate Responsibility Report 2007



GlaxoSmithKline

Do more, feel better, live longer

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Introduction

Welcome to GlaxoSmithKline's (GSK's) Corporate Responsibility Report 2007. This report explains our approach to the wide range of social, ethical and environmental issues associated with our business and our performance during 2007.

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.

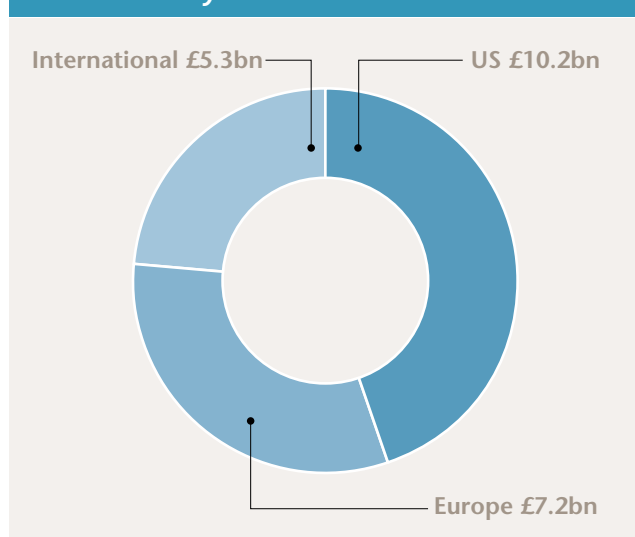
We develop, research, produce and market vaccines and medicines that target serious diseases. Our Consumer Healthcare business includes over-the-counter medicines, nutritional and oral healthcare products.

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

Key statistics

£ billion,	2005	2006	2007
Turnover			
Total	21.7	23.2	22.7
Pharmaceuticals	18.7	20.1	19.2
Consumer Healthcare	3.0	3.1	3.5
Total profit before taxation	6.7	7.8	7.5

Turnover by location of customer 2007



Economic value

We contribute to the countries in which we operate through creating income and employment, paying taxes and purchasing products and services. As well as these direct financial contributions our products contribute indirectly to economies by preventing and treating disease and promoting health.

Detailed financial information is available in our [Annual Report](#). However, some of the key figures for our global business are:

Finance				
Global figures (£m)	2004	2005	2006	2007
Sales	19,986	21,660	23,225	22,716
R&D investment	2,904	3,136	3,457	3,327
Payments to:				
Employees	5,054	5,254	5,495	5,733
Suppliers	n/a	n/a	8,107	8,200
Government (taxation charge)	1,757	1,916	2,301	2,142
Community investment	328	380	302	282

n/a = not available

Our products

Medicines

Our top-selling pharmaceuticals in 2007 included products to treat:

- Asthma
- Epilepsy
- Diabetes
- Herpes
- Migraine

Vaccines

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

- Cervical cancer
- Chickenpox
- Diphtheria
- Hepatitis A and B
- Influenza
- Meningitis
- Polio
- Rotavirus
- Rubella
- Shingles
- Tetanus
- Whooping cough

Consumer Healthcare brands

Our leading Consumer Healthcare brands include:

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

About this report

This report covers our corporate responsibility (CR) activity and performance during 2007. It updates our 2006 corporate responsibility report, published in March 2007.

We have provided additional information in a number of areas in this year's report including:

- Our contribution to global health
- Our public policy activity in 2007
- Access to medicines in middle-income countries
- Our response to the Oxfam report on access to medicines
- Our new climate change strategy

We have also included answers to some of the questions frequently asked by our stakeholders and provided more details of future plans and challenges.

Data relate to worldwide operations for the calendar year 2007, except where stated.

Environmental data are collected from all 81 of our Pharmaceutical, Consumer Healthcare and Nutritionals manufacturing sites, 11 of the 14 vaccines sites (three are not yet in operation), 20 of 26 pharmaceutical and Consumer Healthcare research and development sites (six are too small to warrant collection of environmental data), all three major offices and ten smaller offices and distribution centres.

Injury and illness data are collected from all 81 of our Pharmaceutical, Consumer Healthcare and Nutritionals manufacturing sites, 11 of the 14 vaccines sites (three are not yet in operation), all 26 pharmaceutical and Consumer Healthcare research and development sites, all three major offices, all eight main sales groups, all ten offices with more than one million hours worked and 46 of the smaller offices and distribution centres.

Data in the environment and health and safety sections are independently assured by SGS. See [EHS assurance](#). The access to medicines section has been subject to independent, third-party assurance from Bureau Veritas. For further information see the [Bureau Veritas assurance statement](#).

We use external guidelines to inform our reporting where relevant. We do not base our report on the Global Reporting Initiative (GRI) guidelines but we have produced a GRI index to show which elements of the guidelines are covered in the report and to aid comparison with other company reports. This is available on our [website](#). We have also joined the UN Global Compact and have provided an index on our website to show how we are reporting in line with [Global Compact expectations](#).

Further information on our policies and approach to CR is available on our [website](#).

We also publish a Corporate Responsibility Review which provides an overview of our approach to CR. It is available in print and on our website.



Q&A with Chairman

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.

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

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.

These issues are also critically important because they affect our reputation with external stakeholders and influence how our employees feel about GSK. We have to work with society and gain their support, so everything we do must be done in a responsible way.

What's the Chairman's role in CR at GSK? How can you make sure that the values set by the Board are put into practice day-to-day?

As Chairman of the company and the Corporate Responsibility Committee I have an oversight and governance role, reviewing what we are doing on the many topics covered by CR. I liaise continually with senior managers on critical issues that might affect our reputation as and when they arise.

I also have a leadership role to play in promoting performance with integrity and encouraging everyone at GSK to put the patient first and at all times to do the right thing. I believe it's essential for all leaders within GSK to make this a foremost issue and set the right tone from the top.

How does CR fit into GSK's business strategy?

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.

What are the most significant CR challenges?

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 licensees.

But other significant responsibility challenges remain unresolved. We are seeing attempts by stakeholders to weaken intellectual property 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 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.

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

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.

CR is becoming increasingly important to shareholders and other stakeholders. How is GSK responding to these changing expectations?

These issues are increasingly on shareholders' agendas when they review their investments. We are doing more to tell investors and others about the kind of company we are and what we are doing on the issues that matter.

Pressure also comes from inside the company. Our employees expect us to do the right thing and be seen to do it. I'm impressed by the degree of energy and commitment within GSK.

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

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.

What are the future CR priorities and opportunities for GSK?

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.

Letter from the CEO

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 at 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 the 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 LF 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

Corporate responsibility at GSK

Corporate responsibility (CR) 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 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. You can view the [Principles](#) in the background section of our website.

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 CR, 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.

The business case for corporate responsibility

Demonstrating that our practices are responsible and ethical benefits the business in the following ways:

- An improved reputation and greater trust in GSK products
- The ability to attract, retain and motivate talented people. This is becoming increasingly important as fewer young people in our major markets choose science-based careers
- Constructive engagement with stakeholders. This helps us to prevent avoidable conflict and identify innovative approaches that benefit GSK and wider society
- Greater access to markets and the ability to influence healthcare policy through improved relationships with regulators and healthcare payers. Helping governments to increase access to medicines and resolve healthcare challenges is particularly important
- Greater ability to anticipate and prepare for legislative changes and maintain a competitive advantage
- Helping to maintain support for the intellectual property system by finding innovative ways to increase access to medicines
- Reduced costs and more efficient use of resources through increased environmental efficiency.

Our business strategy

GSK's overarching objective is to maximise total shareholder return. Our business performance and development are driven by four strategies. CR is relevant to these strategies in a number of ways:

We believe that corporate responsibility should be managed as part of our overall business strategy and through our day-to-day business operations. For this reason we do not have a separate CR strategy at GSK.

Delivering our product pipeline for patients

- [Contribution to health](#)
- [Access to medicines](#)
- [Research practices](#)
- [Interactions with patient groups](#)

Optimising the performance of key products

- [Ethical conduct](#)
- [Standards in our supply chain](#)
- [Environmental impact](#)

Improving access to medicines

- [R&D for diseases of the developing world](#)
- [Preferential pricing](#)
- [Voluntary licensing](#)
- [Access to medicines](#)
- [Community investment](#)

Being the best place for the best people to do their best work

- [Employment practices](#)
- [Diversity](#)
- [Human rights](#)
- [Health and safety](#)
- [Resilience and wellbeing](#)

Our material issues

Our CR reporting is focused on the most material (significant and relevant) issues for our business. The following factors influence our materiality assessment:

- Our business strategy
- Our risk management process
- Stakeholder interest, including investor feedback
- Changes in our business and operations, for example the types of products we produce or the locations in which we operate
- Existing and proposed legislation
- Public opinion and press coverage

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 under-served communities
- Ethical standards in research, and sales and marketing
- Our environmental impact, particularly climate change

Managing corporate responsibility

CR governance

Our Corporate Responsibility Committee (CRC) of Non-Executive Directors provides high-level guidance on our approach to CR. The CEO and members of the Corporate Executive Team (CET) are actively involved in CR and participate in CRC meetings.

During 2007 the Committee members were Sir Christopher Gent (Chair), Sir Ian Prosser, Dr Daniel Podolsky and Tom de Swaan. In December 2007 Dr Stephanie Burns was appointed to the Committee.

The Committee meets three times a year to review our policies and progress on our CR Principles. The Committee reviews our performance against four of our CR Principles annually. These are access to medicines, standards of ethical conduct, research and innovation and community investment. Other Principles are discussed at least once every two years. The Committee reports its findings to the Board. During 2007 the CRC reviewed GSK's activity in a number of areas including access to medicines, community partnerships, reputation management, human rights in the supply chain, efficiency of manufacturing processes, climate change, risk management processes in R&D, transparency of clinical trial data, informed consent procedures for clinical trials, financial interactions with healthcare professionals, animal research and testing, ethics and compliance initiatives, policy violations and discipline, use of social media tools for marketing, and employment practices.

The Committee also reviews and signs off our annual CR Report and CR Review. There is more information on the CRC's members and Terms of Reference in the [background section](#) of our website.

CR risks

Our Risk Oversight and Compliance Council (ROCC) coordinates the management of significant business risks. The ROCC also considers reputational and corporate responsibility risks. More information on the ROCC is available on our website, see [Risk management and compliance](#).

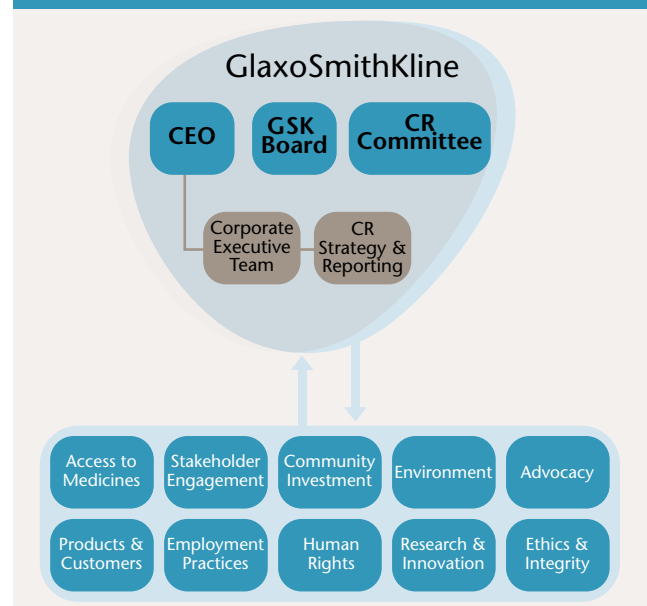
Management structure

The Senior Vice President, Corporate Communications and Community Partnerships, and the General Counsel are the Executive Team members with particular responsibility for CR.

CR covers a very diverse range of issues at GSK so we believe it should be 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. They oversee development, implementation and communication of policies, including any responsibility elements, across GSK.

We have a small central CR team to coordinate policy development and reporting specifically with respect to CR, and to communicate with socially responsible investors.

Lines of accountability



Measuring performance

We have established metrics to track our performance on responsibility issues, see the [Key performance indicator table](#) on page 68 of this report.

Embedding corporate responsibility

It is important that our employees know about our commitment to corporate responsibility, understand their responsibilities and keep up-to-date with our progress.

Information about our approach to embedding an ethical culture at GSK is included in the [Ethical conduct](#) section of this report (see page 62).

We keep employees informed about corporate responsibility through our myGSK intranet site and Spirit, our internal quarterly magazine, which feature regular articles on CR topics. In 2007 at least six articles on responsibility issues were published in Spirit. These included articles on our climate change strategy and our efforts to combat diseases of the developing world such as malaria. The magazine also featured the work of our Positive Action programme to reduce the stigma around HIV/AIDS in Africa and Asia. This year we published four editions of Spirit, distributing 33,500 copies of each edition internally.

The same number of copies of our CR Review were distributed with Spirit magazine and directly to the CET and GSK Board, senior managers, site directors and all communications staff. Global news articles on myGSK and icons on our intranet site were used to guide users directly to the Review. The GSK CR Report is also distributed internally to the Corporate Executive Team and selected communicators.

Engaging employees on environment, health and safety

We engage with employees on EHS through a range of communication channels, including our intranet site, bulletins and articles in Spirit magazine. See the [Environment](#) section of this report, page 76.

In 2006, we conducted an internal review of Corporate Environment Health and Safety (CEHS) communications. This revealed that our EHS intranet site, myEHS, needed to be more user-friendly. In response to the feedback we completely redesigned the site to improve access to information. Changes included listing EHS topics alphabetically, adding a 'most viewed pages' list and providing links tailored to different users.

We also surveyed EHS staff in 2006 to determine the success of our EHS communications. This indicated that we needed to be clearer in our messages about our priorities and how they relate to the overall mission of the corporate EHS department and GSK. See the [Employment](#) section, page 100 for details of how we are responding.

Assurance

External assurance

The information supplied in the Environment, health and safety and in the Access to medicines sections of this report has been externally assured by independent, third-party assurers. External assurance is a time consuming and expensive process. For this reason we have chosen to focus our efforts this year on these key sections.

We have been working with [Bureau Veritas](#), the external assurers, for the report section on access to medicines in developing countries. The assurance process assesses:

- Accuracy – that all information included in the Access to medicines section is accurate, reliable, objective and free from bias
- Materiality – addresses the material aspects of access to medicines, as required by GSK stakeholders to make informed judgements, decisions and actions

- Completeness – that GSK identifies, understands and manages its material aspects and reports activities in a complete and balanced manner
- Responsiveness – that GSK responds to stakeholders' material concerns. In particular, through performance targets and indicators, and the systems used to gather relevant information

It includes data verification, site visits and interviews with key GSK managers and external stakeholders. [The Access to medicines assurance statement](#) by Bureau Veritas is on page 49 of this report.

The environment section and the health and safety performance section of the report are assured by [SGS](#), an external assurer. The assurance process includes verification of key environment, health and safety data through site visits and telephone calls to EHS professionals and review of systems and processes for collecting, collating, analysing and interpreting the data. [The EHS assurance statement](#) is on page 94.

Internal audit

GSK has an extensive internal audit programme, including specialist audit groups that regularly assess compliance with our policies in a number of responsibility areas. The frequency and coverage of audits varies but includes: animal research, community investment, conduct of clinical trials, employment practices, environment, ethical conduct, health and safety, interactions with patient groups, patient safety and supply chain standards.

Human rights

We are committed to upholding the UN Universal Declaration of Human Rights, the OECD Guidelines for Multi-National Enterprises and the core labour standards set out by the International Labour Organization. We are signatories to the UN Global Compact, a voluntary global standard on human rights, labour, the environment and anti-corruption.

High standards on human rights are important to GSK because they:

- Help us get the best from our employees
- Support our relationship with the communities near our sites
- Ensure supplier contracts run smoothly and we have a reliable supply of high quality products through working with suppliers that meet our human rights requirements
- Protect our reputation

Human rights are relevant to many of the issues covered in this report. This section gives an overview of our approach.

GSK's sphere of influence

We are committed to upholding human rights in our sphere of influence. We have most direct control over human rights in our own operations, but can also influence suppliers and wider society.

Our spheres of influence include:

- Employees
- Suppliers
- Communities
- Society

Our employees

We believe our employment standards on issues such as diversity, equal opportunities and health and safety provide human rights protection for our employees. For more information see the [Employment practices](#) section of this report, page 100.

Suppliers

We require all our suppliers, contractors and business partners to meet the same standards on human rights as GSK. We will not knowingly use suppliers who are responsible for human rights infringements. We conduct regular audits of existing suppliers and only engage new suppliers that meet our expectations. Human rights clauses are included in our contracts. See the [Supply chain](#) section of this report for more details.

Communities

Human rights are relevant to our relationships with the wider community. For example:

Countries with poor records on human rights

Some of our stakeholders are concerned about GSK's presence in countries with poor human rights records, such as Myanmar (Burma), North Korea and Sudan. GSK shares the UN's belief that people should not be denied access to medicines because of the regime operating in their country. See the UN High Commissioner for Human Rights' [statement](#). We believe it is our responsibility to make our medicines and vaccines available to the people in these countries.

Local communities

GSK aims to have good relationships with all the communities around our sites. We seek to minimise our environmental impacts and operate our sites safely. We aim to bring social and economic benefits to the areas where we have a presence. See the [Community investment](#) section of this report for more details (page 112).

The UN Convention on Biological Diversity (CBD) and indigenous material

GSK supports the CBD's role in providing a framework for the conservation of biological diversity and the sustainable use of its components. GSK also supports the CBD objective 'to provide fair and equitable sharing of the benefits arising from the use of genetic resources'. See our policy on [Biodiversity](#) in the background section of our website for more information.

Techniques such as high-throughput screening of synthetic compounds have historically been considered more effective and efficient tools in GSK's drug discovery programmes than natural product screening. GSK is therefore currently involved in few natural product projects although this may change.

Current natural screening collaborations do not involve material collected post-1992 and so are not subject to the CBD. However, in the event that GSK undertakes future development work using genetic resources obtained from source countries post-1992, and where local laws stipulate, access to those resources would be obtained in accordance with those local laws.

Society

Improving healthcare, particularly in the developing world, is one of the greatest challenges we face. GSK is committed to playing its part in improving access to medicines. We contribute to healthcare in the developing world through our research into new treatments and vaccines. We also seek to increase access to a wide range of our products in developing countries by improving their affordability through preferential pricing and voluntary licence agreements with generic manufacturers and through our community investment.

We engage with governments, multilateral agencies, NGOs and other pharmaceutical companies to help improve access to medicines. For more information see the [Access to medicines](#) section of this report on page 32 and the [Community investment](#) section on page 112.

Stakeholder engagement

Stakeholder engagement and dialogue 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 academics, researchers and other pharmaceutical companies through advisory boards and medical conferences.

We have included examples of our engagement here and throughout the report.

How we engage with our stakeholders

Healthcare professionals

We engage with healthcare professionals in many ways including through our sales representatives and when running clinical trials. See [Research practices](#) (page 52) and [Ethical conduct](#) (page 62) for our policies governing relationships with healthcare professionals.

Patients

GSK researchers and scientists meet patients as part of our 'Focus on the Patient' initiative. This engagement influences our understanding of diseases and our research priorities. We also support the work of patient advocacy groups. Read more in [Patient advocacy](#) on page 21. In addition, we conduct market research via third parties to understand patient needs.

Governments and regulators

We engage in debate on legislation and seek to influence policy decisions that affect GSK. We also engage with governments on responsibility related issues. See [Public policy](#) on page 16.

Healthcare providers

We engage with healthcare providers through our government affairs, marketing and access to medicines activities. See [Public policy](#) and [Access to medicines](#).

Investors

We meet regularly with investors and socially responsible investors.

Employees

We seek feedback from our employees through regular surveys. See the [Employment](#) section for examples of survey results (page 100). We also consult employees on changes that affect them and discuss business developments through regional and national consultation forums. See [Internal communications](#) on page 104.

Local communities

Our interactions with local communities are managed by individual GSK sites. See [Community investment](#) for examples of our financial and practical support for communities, page 112.

Multilateral agencies

We engage with multilateral agencies through our access and public health initiatives. See [Public policy](#) on page 16 and [Access to medicines](#) on page 32.

Non-governmental organisations (NGOs)

We engage with international and community NGOs through our access, education and public health programmes and as part of our public policy work. Read more in [Public policy](#) on page 16, [Access to medicines](#) on page 32 and [Community investment](#) on page 112.

We also engage regularly with animal welfare organisations. Read more in [Animal research](#) on page 53.

Scientific community and academic partnerships

It is important for GSK to be part of scientific and academic debates. Examples of our collaborations with academia are included in the [Contribution to global health](#) section of this report on page 24.

Suppliers

We hold global and regional supplier review meetings where senior GSK managers address and interact with suppliers on key issues. We conduct supplier satisfaction surveys. For more information see [Supply chain](#) on page 70.

Peer companies

We engage with peer companies through membership of pharmaceutical industry organisations, for example EFPIA, PhRMA, ICC and IFPMA, and through collaboration on specific projects.

Engagement with investors

We held 15 meetings with investors in 2007 to discuss responsibility issues. These included one-to-one meetings, presentations, a socially responsible investment (SRI) roadshow and three 'Lunch and Learn' sessions.

Lunch and Learn sessions address topical issues and enable mainstream and SRI investors to ask questions directly to senior GSK executives. Topics covered this year included:

- Patient safety, attended by 16 mainstream and SRI investors. Our Senior Vice President, Medical Governance, explained how GSK assesses the safety of products in clinical trials and after marketing. See the [Research](#) section of this report for more on our approach, page 52
- Clinical trials and informed consent in the developing world, attended by 35 investors. Our Vice President, Pharmaceuticals International Medical, set out the policies underpinning our approach to clinical research, and the reasons why we are conducting more trials in the developing world. See the [Research](#) section of this report for more on our approach, page 52
- Patient advocacy and government affairs, attended by 12 investors. Our Programme Leader, Patient Advocacy, and our Government Affairs Manager explained how GSK interacts with patient groups and governments to find solutions that benefit patients, governments and the company, and the policies underlying this engagement. See [Public policy](#), page 16, for more information.

We participated in a SRI roadshow in Paris and Zurich, along with six other companies from a range of sectors. The main topics covered by GSK included stem cell research, access to medicines and how we embed CR into the business.

We held one-to-one meetings with a variety of investors. For example, we engaged with Hermes on clinical trials in the developing world and with ABP Investments on transparency over patient advocacy.

Details of our greenhouse gas emissions were reported through the Carbon Disclosure Project (CDP). You can read our response on the [CDP website](#) at www.cdproject.net.

Investor questions

Some of the questions raised by investors about responsibility issues in 2007 concerned:

- [Access to medicines](#)
- Clinical trial results disclosure. See the [Research practices](#) section of this report, page 56
- [Clinical trials in the developing world](#)
- Patient safety. See the [Research practices](#) section of this report, page 58
- Our operations in Sudan, Myanmar (Burma) and North Korea. See [Human rights](#) on page 10 of this report

- Intellectual property rights in India. See [Access to medicines](#) section of this report, page 42
- Sales and marketing practices. See the [Ethical conduct](#) section of this report, page 64
- Stem cell research. See the [Research practices](#) section of this report, page 53

Engagement on access to medicines

GSK conducted three stakeholder discussions during 2007 to get feedback on our approach to different issues relating to access to medicines. We engaged with influential individuals and organisations with expertise in this area including NGOs, government representatives, journalists, academics, investors and industry organisations.

The topics covered were:

- Increasing access to HIV/AIDS medicines in developing countries
- Expanding R&D into diseases of the developing world
- Increasing access to medicines in middle-income countries

While we do not necessarily agree with all the comments made by participants, these sessions provided valuable feedback on our approach.

Feedback on GSK's approach in developing countries

Participants felt that GSK has a moral responsibility to make its products accessible to poor people and that access to medicines is also important to GSK's long-term business sustainability.

It was felt that GSK's approach to increasing access in developing countries (R&D, preferential pricing and voluntary licensing) is appropriate, although participants would like GSK to invest more in R&D into diseases of the developing world and do more to remove obstacles to the supply of generic medicines in these countries.

Participants urged GSK to collaborate more with other pharmaceutical companies to address access issues in developing countries. It was felt that an industry-wide approach could help to address issues more quickly and effectively.

Feedback on GSK's approach in middle-income countries

Participants emphasised the importance of increasing access to medicines in middle-income countries (MICs) where there are still large numbers of very poor people. They encouraged GSK not to treat MICs as we would high-income countries.

Participants felt that GSK does not have a clear strategy on access in MICs. They would like GSK to be clearer on its approach and objectives, in particular they would like to know if we regard MICs as significant commercial markets.

It was pointed out that chronic diseases are a growing problem in MICs. It was suggested that GSK take a broad approach to access that encompasses all its medicines, not just those for high-profile diseases such as HIV/AIDS, malaria and TB.

You can read the findings from these sessions in more detail in the background section of [our website](#). For more information on our approach to [Access to medicines](#) see pages 32.

Engagement on environment, health and safety

We have an EHS Stakeholder Panel in the UK which has provided independent feedback on our performance since 2005. It has ten members representing customers, suppliers, regulators, public interest groups and investors. Four senior EHS representatives from GSK also regularly participate and other GSK managers attend discussions on specific topics. The panel is facilitated by The Environment Council, an independent charity.

The panel met in April 2007 to debate a range of issues including:

- How GSK manages corporate responsibility
- Sustainability initiatives in our Nutritional Healthcare business
- Employee wellbeing and resilience.

The panel was also updated on GSK's EHS performance and on developments in our process safety and climate change programmes.

In 2007 we also held an EHS stakeholder engagement workshop in the US. The meeting was chaired by an external facilitator and was attended by representatives of retail customers, regulators, environmental interest groups, health interest groups and academia. Four senior EHS representatives from GSK also participated.

The US stakeholders identified a number of issues they felt that GSK should prioritise. These included:

- Pharmaceuticals and products in the environment (including toxic and biological materials)
- Air pollution and climate change
- Nanotechnology (especially relating to consumer and worker safety)
- Water (including wastewater treatment and water scarcity)

The stakeholders urged GSK to adopt a leadership position and to collaborate with industry organisations on these issues.

We will use the feedback from the US workshop and UK panel to inform our EHS programme.

Many of our sites also engage with stakeholders locally on EHS issues, through activities such as open days, newsletters and community projects.

Engagement with opinion leaders

MORI survey

GSK participated in the MORI survey which rates companies according to CR experts' and NGOs' perception of their CR performance. This year 78 per cent of the 40 people surveyed thought that GSK took its responsibilities seriously, compared to 58 per cent last year. GSK was the sixth highest rated company on this question (out of 36 companies). They also thought we were better at communicating than last year: 45 per cent rated GSK communications with them as fairly or very good, compared to 33 per cent last year.

Focus group

We ran an opinion leader focus group in the US to get feedback on our approach to CR and our reporting.

The discussion showed that GSK is not well known for its CR performance in the US compared with other pharmaceutical companies. Participants encouraged us to increase communication on CR with US stakeholders.

Overall, our efforts on corporate responsibility reporting and our approach to access to medicines met with approval. Participants felt we should be clearer on our future strategy and set challenging CR targets.

The participants supported our decision to research into diseases of the developing world and our sustainable approach to preferential pricing. However, several thought we could do more to help make medicines affordable. They wanted to know whether our lobbying activity on intellectual property rights and generics is aligned with our efforts to improve access to medicines. Helping to improve the availability of medicines was another area where they would like GSK to do more.

Participants felt we had not addressed the effects of climate change on health in our report.

You can read the findings from these sessions in more detail in the background section of [our website](#). For more information on our approach to [Access to medicines](#) and the [Environment](#) see pages 76.

Benchmarking

GSK received the following ratings from benchmarking organisations:

Organisation	Rating
Association of Chartered Certified Accountants (ACCA)	GSK Corporate Responsibility Report 2006 was shortlisted for an ACCA award, which recognises transparency and credibility in reporting
Dow Jones Sustainability Index	GSK was included in the Dow Jones Sustainability Index, which covers the top ten per cent of sustainable companies in each sector
Financial Times Bowen Craggs Website Index	GSK ranked 20th out of the 60 companies assessed on how well their website served a range of stakeholder groups. GSK ranked 13th in the 'serving society' category, which reflects coverage of corporate responsibility issues
FTSE4Good	GSK was included in the FTSE4Good index
Innovest Global Pharmaceutical Sector Report	GSK ranked third of 44 pharmaceutical companies analysed in the 2006 report which looks at sustainability risks and opportunities in the industry
One World Trust	GSK was ranked second out of ten multinational companies assessed for corporate accountability in the One World Trust's Global Accountability Report. The report assesses formal policies that guide transparency, participation, evaluation and response to complaints
SustainAbility Global Reporters benchmark	GSK's 2006 report scored 54 per cent using this methodology. The full Global Reporters Survey was not conducted in 2006, however reports that achieved this score in the 2005 survey were in the top 30 reports in the survey
Storebrand Investments	GSK achieved 'Best in Class' status in the 2007 overview of the pharmaceutical industry, ranking in the top 30 percentile
Business in the Community Environment Index	GSK maintained its position in the Platinum League of the 2006 index which assessed 134 companies

Responding to stakeholders

This table summarises how we are responding to stakeholders on the key responsibility issues for our business.

Interest area	Stakeholders	Activity this year
Contribution to global health	Healthcare professionals, Healthcare providers, Investors, Multilateral organisations, NGOs, Patients, Regulators, Scientific community	Invested £3,327 million in R&D and launched important new medicines and vaccines including our cervical cancer vaccine and new breast cancer treatment. Joined partnerships to increase scientific understanding in key areas including the use of imaging technology and genomics. Supported efforts to prevent chronic disease and reduce healthcare costs in the US through the Ten City Challenge. See Contribution to health page 29.
Access to medicines in developing, middle-income and developed countries	Healthcare professionals, Healthcare providers, Investors, Local communities, Multilateral organisations, NGOs, Patients, Regulators	Progressed our R&D into new medicines and vaccines for HIV/AIDS, malaria and TB. Explored new solutions to increasing access in middle-income countries. Supported the efforts of developing countries to prepare for a potential flu pandemic. Contributed to an Oxfam report on access to medicines. See Access to medicines page 44.
Research practices including use of new technologies, animal research, clinical trials and patient safety	Healthcare professionals, Investors, NGOs, Patients, Regulators, Scientific community	Published our position on stem cell research on our website. Continued to publish the results of GSK clinical trials on our publicly available Clinical Trial Register. Joined a partnership with governments and peer companies to improve patient safety. See Research practices page 59.
Ethical conduct, including sales and marketing practices	Healthcare professionals, Healthcare Providers, Investors, NGOs, Patients, Regulators	Carried out a comprehensive review of our ethics policies and practices. We are implementing a range of improvements as a result. See Ethical conduct page 62.
Environment, including climate change, materials efficiency and pharmaceuticals	Employees, Investors, Local communities, NGOs, Regulators, Suppliers	Launched a new climate change strategy which includes increased quantitative targets to reduce CO₂ emissions in the environment. See Environment page 79.
Supply chain	Investors, NGOs, Regulators, Suppliers	Carried out audits to assess suppliers' performance on environment, health and safety and human rights. See Supply chain page 72.
Employment practices	Employees, Investors	Responded to feedback from our employee survey by reducing unnecessary bureaucracy and increasing management visibility. Put in place plans to reduce the impact of planned restructuring on employees. See Employment practices page 100.
Advocacy on public policy	Investors, Regulators	Extended our reporting on our lobbying activity to increase transparency. See Public policy on page 16.
Community investment	Employees, Regulators, Local communities, Multilateral organisations, NGOs	Invested £282 million in community programmes. Major programmes included those designed to prevent disease, build community capacity and support science education. See Community investment page 112.

Public policy and external affairs

Headlines

- **Advocated for the creation of a global strategy to address pandemic flu**
- **Advocated investment in chronic disease prevention and treatment**
- **Advocated stronger intellectual property rights and investment in healthcare in India**
- **Updated our guidelines so that GSK funding should make up no more than 25 per cent of a patient group's overall income**
- **Became the first pharmaceutical company to publish information on our funding of European patient groups**

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 and policy process.

Through our public policy activity we work towards legislation and policy 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.

This section covers:

- Our approach to external affairs
- Membership of trade associations
- Our lobbying activity in 2007
- Lobbying expenditures
- Political contributions
- Our relationship with patient groups

Information on our approach to working with doctors and healthcare professionals is available in the [Research practices](#) and [Ethical conduct](#) sections of this report (page 52 and 62).

More background information on our approach to public policy is available in the [external affairs section](#) of our website.

Our approach to external affairs

Employees involved in public policy work must abide by our [Employee Guide to Business Conduct](#) which is based on three principles: partnership, communication and integrity. Our public policy and lobbying efforts are backed by factual research and analysis.

Our external affairs teams in our major regions monitor changes and proposed legislative reforms and policy developments. They meet regularly with government officials and other stakeholders, for example multilateral organisations and NGOs, to explain our views on a range of public policy issues. We tailor our approach to suit different cultures and political traditions in the countries where we engage in the public policy process. We ensure that the standards set out in our [Guide to Business Conduct](#) are applied globally.

Lobbying on issues affecting the whole pharmaceutical industry is sometimes conducted through trade associations. We may also hire professional lobbyists to support our public policy work.

We have a Political Donations Policy governing our contributions to political candidates and parties.

Trade associations

GSK is a member of many trade and industry organisations including:

- Association of the British Pharmaceutical Industry (ABPI)
- BioIndustry Association (BIA)
- Biotechnology Industry Organization (BIO)
- European Federation of Pharmaceutical Industries (EFPIA)
- Intellectual Property Owners Association (IPO)
- International Federation of Pharmaceutical Manufacturers and Associations (IFPMA)
- Japan Pharmaceutical Manufacturers Association (JPMA)
- Organisation of Pharmaceutical Producers of India (OPPI)
- International Chamber of Commerce (ICC)
- Organization For International Investment (OFII)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- The British Pharma Group (BPG)

It is important that any lobbying conducted through trade associations reflects our policies and values. We work with other members to help set policies and may also attend lobbying meetings with governments and other stakeholders.

Sometimes we do not share the same views on a particular issue as other members of a trade association. If a trade association adopts a public policy position that we do not agree with, we will not participate in advocacy activity related to that subject. Senior GSK managers sit on the boards of the majority of industry trade associations of which we are members and raise any concerns we may have about a particular advocacy position.

Public policy activity in 2007

We engage governments on a wide range of issues that affect our industry. These are some of the key issues we engaged on during 2007:

Global

Preparation for pandemic flu

Organisations engaged: WHO, developed and developing country governments, EU institutions, the Global Influenza Surveillance Network, multilateral donor organisations such as the World Bank.

Industry associations involved: EFPIA, IFPMA

GSK's position: An influenza pandemic could affect all countries. The world's poorest nations lack the resources to prepare for a pandemic. A new public-private partnership is needed between industry, the WHO, and developed and developing countries to support these nations. A global strategy is needed which should include:

- Advanced market commitments (a financial commitment to subsidise the future purchase of a vaccine for use in developing countries) for pandemic vaccines
- The creation of a pre-pandemic stockpile of vaccine doses for distribution to developing countries
- An appropriate regulatory framework
- Continued free sharing of viruses for vaccine production
- Support for tiered pricing policies

We have invested more than \$2 billion in expanding seasonal flu vaccine capacity, developing an avian flu vaccine, and increasing production capacity for the anti-viral flu treatment *Relenza*.

In 2007 we announced our intention to donate 50 million doses of our pre-pandemic H5N1 vaccine to the WHO. In the event of an outbreak these can be rapidly distributed to the world's poorest countries. See [Access to medicines](#) (page 32).

Access and benefit sharing and a disclosure obligation in patent law

Organisations engaged: Secretariat to the Convention on Biological Diversity (CBD), Ad Hoc Working Group on Access and Benefit Sharing, UK DEFRA, DG Trade (European Commission), national European governments, US government, World Intellectual Property Organization.

Industry associations involved: BIO, BPG, EFPIA, ICC, IFPMA, PhRMA

GSK position: Benefit sharing means the sharing of benefits arising from the use of genetic resources. The proposed International Regime on Access and Benefit Sharing currently under discussion within the Convention on Biological Diversity (CBD) should be consistent with the CBD treaty. It should provide guidance on how to achieve access benefit sharing objectives, rather than prescribing rules. It should apply only to genetic resources as defined in the CBD, not a broader class of materials, and should not extend to human genetic resources or to derivatives.

Notwithstanding our close involvement in discussions around an international regime, we believe that once countries have adopted local laws as envisaged by the CBD, they will receive protection and compensation envisaged under the Convention. In this respect, we firmly believe that the introduction of a disclosure obligation, whereby patent applications would have to disclose the origin of genetic resources used in an invention, is unnecessary. Further it would create legal and commercial uncertainties for researchers and companies developing products using genetic resources. This would discourage innovation and ultimately mean there are fewer benefits to share.

For more information see our policy on [Biodiversity](#) in the background section of our website for more information.

United States

Investment in chronic disease prevention and treatment

Organisations engaged: US Department of Health and Human Services, Office of the First Lady, US Congress, White House, state legislators, Governors' Offices, various state health agencies

Industry associations involved: PhRMA

GSK position: Chronic diseases such as diabetes, heart disease and lung disease account for three-quarters of healthcare spending. Relatively little is invested in prevention even though many chronic diseases and their costly complications are preventable and increasingly manageable. We are advocating a three-part approach to achieving lower cost, higher quality healthcare: increasing prevention, improving treatment, and accelerating research into better treatments for chronic disease. Healthcare providers need incentives to promote preventive services that address major causes of chronic disease such as obesity and smoking. Healthcare policy needs reform to better encourage and reward medical research into improved treatments for costly, unmet medical needs such as Alzheimer's disease. Preventing and better managing chronic diseases will reduce overall healthcare costs in the long term.

Legislation on prescription medicine imports

Organisations engaged: US Department of Health and Human Services, Food and Drug Administration (FDA), US Congress, state Boards of Pharmacy, state legislators, Governors' Offices

Industry associations involved: BIO, PhRMA

GSK position: Current US law prevents prescription medicine imports to the US without safety and cost savings certifications from the Secretary of Health and Human Services. Pending legislation would remove the safety and savings certification requirements, making it easier to legally import medicines. This would undermine the FDA's ability to protect the US distribution system from counterfeit and unsafe medicines that could harm patients. There is also no guarantee that consumers would save any money as the Department of Health and Human Services has found that third-party payers such as insurance companies are most likely to benefit.

GSK supports safer alternatives to help patients afford their medicines. The Partnership for Prescription Assistance (PPA), for example, gives access to more than 475 public and private patient assistance programmes, for patients who lack prescription drug coverage. See [Access to medicines in the developed world](#), on page 45 for more information on GSK's Patient Assistance Programs.

US patent system reform – Federal legislation

Organisations engaged: Patent and Trademark Office, US Congress

Industry associations involved: BIO, Coalition for 21st Century Patent Reform, PhRMA

GSK position: A patent law framework that provides business certainty over a long period and promotes investment is essential to the research-based pharmaceutical industry and a wide range of other manufacturers that have long lead times from research to market. The US Congress is considering patent reform legislation that could have a negative effect on the current framework. Specifically, the proposals fail to strike an appropriate balance in the areas of restricting abuse of the inequitable conduct doctrine (which encourages infringers to try to prove in litigation that a patent was improperly obtained so that a completely valid patent may be held 'unenforceable') and the allocation of damages for infringement. In addition, giving the PTO substantive rulemaking authority removes responsibility for establishing substantive patent law from Congress and innovation policy from the public debate.

GSK is working with a coalition of research-based companies, manufacturers, universities and small inventors to promote US patent reform that stimulates investment in research and strengthens the patent system. We support patent reforms that are clear, provide business certainty, improve the quality of patents and remove subjectivity in litigation issues.

US patent system reform – PTO regulations

Organisations engaged: Patent and Trademark Office, Federal District Court

Industry associations involved: None

GSK position: In August 2007, the US Patent and Trademark Office substantially altered regulations regarding the number of 'continuation' patent applications and patent claims that can be filed. The change would cause a negative effect on innovation, limit business certainty and retroactively damage millions of pending US patent applications.

In November 2007 GSK's request for a preliminary injunction was granted by the Federal Court on the basis of the company's argument that the new rules are contrary to established law and the PTO does not have the authority to enact such regulations. Furthermore, the court found it in the public interest to bar the rules from taking effect until a full trial on the merits can be heard. The judge heard arguments in the case in February 2008, however the outcome of the case is awaited.

Pharmacovigilance (patient safety)

Organisations engaged: US Congress

Industry associations involved: BIO, PhRMA

GSK position: The US government recently enacted significant new laws relating to drug safety, through the FDA Amendments Act (FDAAA). The Act's provisions include:

- New powers for the FDA to require post-marketing studies and clinical trials
- A new Risk Evaluation and Mitigation Strategy (REMS) infrastructure that will allow the FDA to require additional communication and reporting on drug safety
- Development of a Clinical Trial Registration and Results Database
- Increased industry funding for drug safety efforts

We support the new provisions and will continue to work with the FDA to create a more effective pharmacovigilance framework. See the [Research practices](#) section of this report, page 57, for information on our long-standing Clinical Trial Register and efforts to improve patient safety.

Europe

EU regulation on clinical trials for children

Organisations engaged: DG Enterprise (EU Commission), EU Parliament, UK Parliament, UK Department of Health, UK Department of Trade and Industry, Medicines and Healthcare Products Regulation Agency, various European governments

Industry associations involved: ABPI, BIA, BPG, EFPIA

GSK position: Medicines that are safe for adults are not necessarily safe for children. This means additional trials are required before new medicines can be approved for use in children. To support this work, the EU has introduced a regulation requiring companies applying for marketing authorisation for new products or indications for patented products to conduct studies in children in accordance with a Paediatric Investigation Plan (PIP). In return for conducting these studies, regardless of outcome, companies are granted either an extra six months of market exclusivity for non-orphan products (commercially viable medicines), or an extra two years of market exclusivity for orphan products (medicines which are not considered commercially viable, often for rare diseases).

If medicines are unlikely to benefit children (for example Alzheimer's therapies) companies can apply for a 'waiver' from the requirement. When it is too early to start testing medicines in children, because of lack of appropriate safety data for use in adults, companies can be granted a 'deferral', excusing them from the PIP requirements in the short term.

GSK welcomes the EU regulation and supports the overall policy objective. We agree that the incentives should not be linked to confirmation that a medicine is effective in children. In many cases negative data will help prescribers understand paediatric populations or indications in which the product should *not* be used. An EU regulation with fixed incentives and a predictable regulatory framework, together with better paediatric networks, will benefit children across Europe.

Similar incentives exist under US legislation, the [Best Pharmaceuticals for Children Act](#).

Health Technology Assessments and pricing

Organisations engaged: The European Commission; selected member states

Industry associations involved: EFPIA

GSK position: Government funding decisions are often based on an assessment of a medicine's clinical or cost-effectiveness. We believe that these value assessments should be conducted transparently and in a timely manner. The price a government subsequently agrees to pay for the medicine must reflect the result of the value assessment. Governments should allow greater pricing flexibility when the long-term value of a medicine is not certain at launch.

We have worked with EFPIA to agree an industry-wide approach to the issue. We aim to establish a broader consensus among the European Commission and EU member states, especially within High Level Pharmaceutical Forum discussions.

Asia

Compulsory licensing in Thailand

Organisations engaged: Thai government including the Thai Ministry of Public Health; academics, NGOs and members of the business community in Thailand; World Health Organization; international NGOs; US and EU member state governments; European Commission

Industry associations involved: BPG, EFPIA, IFPMA, PhRMA, PReMA,

GSK position: In late 2006 the Thai government issued compulsory licences on three pharmaceutical products. There have been reports that more may be issued. We support the Thai government's public health goals and want to help improve health outcomes for people in Thailand. Compulsory licences are a legitimate policy option for the Thai government but they should not be used as a routine policy tool or for commercial purposes. Rather than unilaterally using compulsory licences to increase access to medicines, we believe it is more effective to engage in dialogue with industry and other stakeholders to find sustainable ways to address healthcare issues. We welcome the establishment of the Joint Industry-government committee which will provide a forum in which to discuss these issues and develop solutions to Thailand's healthcare needs together with the Thai government.

Healthcare and intellectual property in India

Organisations engaged: Relevant agencies in the Indian government; members of the pharmaceutical industry and the wider business community in India; Indian academics and civil society representatives; US and EU member state governments; European Commission

Industry associations involved: BPG, EFPIA, OPPI, PhRMA

GSK position: We believe that India's tremendous strengths in science and pharmaceuticals, coupled with its rapid economic growth, offer the government an opportunity to tackle some fundamental characteristics of its healthcare system and policy base. Further improvements in India's intellectual property (IP)

regime to the level provided in the EU and US could further encourage investment in collaborative R&D. Issues of IP rights are not the fundamental barrier to access to healthcare and we believe that reform and increased investment in the Indian healthcare system should be a priority. We want to be active partners in addressing these challenges. We are exploring differential pricing models to increase access to medicines in India. See [Access to medicines](#) in middle-income countries for more information (page 41).

Advocacy on issues relevant to corporate responsibility

We engage with governments and other stakeholders to advance the debate on issues relevant to responsible business practices.

Advocacy for access to medicines

We advocate for a sustainable approach to improving healthcare in the developing world. For example in 2007:

- We urged the G8 to continue making healthcare in the developing world a major issue
- We participated in the design of the OECD High Level Forum on neglected diseases

See the [Access to medicines](#) section of this report for more information.

Advocacy on research practices

We regularly engage with policy makers and other stakeholders on issues relating to research practices. For example in 2007:

- We participated in discussions in the US on appropriate elements of a national registration system for clinical trials results. These discussions have informed new legislation in the US.
- We continued to engage in the [European Partnership for Alternatives to Animal Testing \(EPAA\)](#) with the European Commission and companies from seven industry sectors across Europe

See the [Research practices](#) section of this report for more information.

Advocacy on malaria

We advocate for more resources to be committed to prevention and control of malaria. Through our advocacy programme, 'Mobilising for Malaria', we aim to engage politicians, the media and the public in tackling the disease. For example in 2007:

- We awarded three 'Innovation Grants' in partnership with the Malaria Consortium, to civil society organisations covering twelve African countries
- We supported national 'Coalitions Against Malaria' in Cameroon, Ethiopia and Benin plus similar coalitions in the UK, France and Belgium

Our position on issues relevant to corporate responsibility

We publish our position on key issues relating to corporate responsibility in the background section of our website. We are happy to discuss our position on these or any other issues with legitimate parties. Contact our corporate responsibility team at csr.contact@gsk.com.

The current public policies published on www.gsk.com/reportsandpublications cover the following areas:

- [GSK access and developing countries](#)
- [GSK research and development](#)
- [GSK and intellectual property](#)
- [GSK and the environment](#)
- [GSK and public health](#)
- [GSK and competitiveness](#)
- [GSK pricing, reimbursement and market access](#)
- [GSK and other issues](#)

Lobbying expenditures

We report our US lobbying expenditures to the US Congress in accordance with the Lobbying Disclosure Act of 1995.

We spent \$8.24 million in federal lobbying activities in the US during 2007. This includes the costs of salaries and benefits for all employees registered to lobby the US government; use of lobbying consultants; support for lobbying contacts such as planning activities and research; running the GSK Washington DC government affairs office; support staff; and the portion of trade association fees associated with federal lobbying.

We also report our state lobbying expenses, in line with applicable state laws.

Political donations

GSK makes political donations with corporate funds where these are authorised by law and are culturally appropriate.

In 2007 we contributed £276,000 to political organisations in the US and Canada. All donations are covered by the [GSK policy on political donations](#).

GSK does not make donations to political parties or other political organisations in the European Union. See our [Annual Report](#) for more information.

Contributions in the US

In the US, political candidates are financed primarily by contributions from companies, individuals, NGOs and other parties. Corporate contributions are an accepted and important way for companies to engage in the political debate.

Corporate contributions to national political parties and candidates running for federal office are prohibited by US law.

Contributions to state candidates

GSK corporate funds are only given to candidates at the state level, in states where this is permitted by law. In 2007, we donated £249,000 to candidates for state-held offices.

Our contributions are not made on the basis of political party. GSK supports candidates who seek an environment that appropriately rewards high risk, high-investment industries and preserves free market principles and intellectual property rights. During 2007 we made approximately 51 per cent of contributions to Republicans, 47 per cent to Democrats, and two per cent to unaffiliated or other party candidates. All states publish information about political donations.

Political Action Committee contributions

In accordance with the Federal Election Campaign Act, there is a GSK Political Action Committee (PAC) that facilitates voluntary political contributions by eligible employees.

The PAC is not controlled by GSK but by our participating employees, who have the legal right to make contributions to candidates and political parties at the federal and state levels. All PAC contributions are voluntary and donations are subject to strict limitations. For example, the GSK PAC may not contribute in excess of \$5,000 to an individual candidate for federal office per election.

PAC contributions are determined by a governing board of PAC-participating GSK employees from across the company. As required by law, PAC contributions are reported to the Federal Elections Commission (FEC).

In 2007, the GSK employees' PAC contributed £522,172 to candidates for state and federal offices.

'527' organisations

'527' organisations are not regulated by the Federal Electoral Commission. These organisations cannot expressly advocate the election or defeat of a federal candidate. However they may be involved in political advocacy and voter mobilisation.

In 2007 GSK supported '527' organisations in the US including:

- Democratic Legislative Campaign Committee
- Democratic Governors' Association
- New Democratic Network
- Republican Governors' Association
- Republican State Leadership Committee

Contributions in Canada

In 2007, GSK donated £27,000 in Canada to political candidates in those provinces where it is legal.

Patient advocacy

Patient groups are non-profit organisations founded by patients, caregivers, family members and health professionals. They provide their members with information about their condition and guidance on how to live with their disease. They engage with healthcare providers, governments and the media to promote improved treatment and services for patients.

GSK works with a wide range of patient groups in disease areas such as cancer, asthma, diabetes, Alzheimer's disease, multiple sclerosis and HIV/AIDS. GSK and patient groups share a common concern that healthcare systems should focus on preventing, treating and managing disease. Both parties believe that patients should have access to quality medicines, services and information on disease.

Patients groups are important stakeholders for GSK and we engage with them as part of our commitment to be a patient-focused company. Our relationships with patient groups help us to better understand patient needs and their illnesses. We also support these groups to help give patients the ability to have their voice heard in the healthcare debate, alongside other stakeholders.

Our approach

Our relationship with each patient group is defined by a written agreement specifying how the group will use our funding to benefit its members.

We support patient groups across the world in a number of different ways. These include:

- Providing core funding to support the day-to-day running of the group
- One-off donations to help patient groups conduct a specific event or activity, for example a breast cancer awareness day
- Educational support
- Training staff in management skills and disease education
- Working together on disease awareness/prevention projects

Some stakeholders are concerned that pharmaceutical companies use patient groups as a way of marketing their products. Our support for patient groups is about the bigger agendas which dictate whether or not new medicines are made available to patients, and whether patients have access to the kind of treatments that they need. It can also help raise awareness of prevention and treatment options. We are committed to maintaining the highest ethical standards and transparency in this area.

In 2004 we were the first company to establish global principles for working with patient groups. Since then we have developed detailed guidance and Standard Operating Procedures (SOP) for employees in each of our major regions. The principles are published in the [background section of our website](#). All relevant employees receive training on our policies and global

principles. We require outside agencies working for GSK that are likely to interact with patient groups to abide by our guidelines.

We have patient advocacy teams in our Europe and International regions to coordinate interaction with patient groups and adherence with our policies and global principles. In the US, patient advocacy is decentralised across a number of functions including state government affairs, R&D, communications and marketing, but is coordinated by the state government affairs group.

Employees in all regions can access our patient advocacy resource intranet site. In Europe, we also publish a newsletter to raise employee awareness about internal and external developments relating to patient groups.

In 2007, we conducted a review of departments that have relationships with patient groups in the US. This will enable us to more effectively raise awareness of our guidelines and SOP.

Encouraging independence

We believe that patient groups should be independent and we encourage them to seek financial support from as wide a range of organisations as possible. We ensure that the funding we give to patient groups is appropriate to their size.

We updated our guidelines in 2007 to state that GSK funding should make up no more than 25 per cent of a group's overall income. In the vast majority of instances the actual percentage is much lower. We allow some exemptions to the 25 per cent cap as some of the groups supported have limited incomes, so a small donation (for example £1,000) would exceed the limit, and because some groups have difficulty attracting funding because of the nature of their activity (for example providing needle exchange for drug users). These cases must be approved by the general manager of each local operating company.

We also encourage patient groups to seek funding from multiple sources and we hold workshops on how to make funding applications.

Transparency

We believe that being transparent about our support for patient groups helps build trust with our stakeholders, including the groups themselves.

In February 2007 we were the first pharmaceutical company to publish information on all our work with European patient groups including details of the funding received. In 2008 we are publishing the same level of information for work with patient groups in the Pharmaceuticals International region. This goes beyond industry codes of practice that at most require a list of the groups funded. You can read more at www.gsk.com/responsibility.

In the US, this information is publicly reported by the patient groups themselves as they are required to declare the source of their funding to the Internal Revenue Service.

Understanding patients

To help us better understand patient needs we have set up advisory boards in the US and Europe with representatives from a wide range of patient groups. These have independent chairs, meet regularly and are attended by senior GSK managers. The boards enable the voice of patients to be heard at the highest levels of GSK. They also allow us to access the views of patient groups and we seek feedback on subjects such as clinical trials, pharmacogenetics, information provided to patients and ethical issues.

In all regions we invite speakers from patient groups to meet GSK employees, including scientists, researchers and marketers, to discuss issues affecting their members. As well as improving our understanding of patient needs it shows GSK employees the difference their work can make to people's lives.

We also engage with patient groups through Patient Advocacy Leaders' Summits (PALS). These bring groups together to discuss health policy concerns, develop new skills and identify ways to collaborate to expand their influence. PALS also give patient groups the opportunity to learn about GSK and tell the company how it can better support their work. There is typically a range of workshops for attendees, including sessions on media training and sharing best practice. In 2007 we held summits in Canada, Germany, Poland, Latvia, Switzerland and Japan as well as 17 summits throughout the US. Since 2002, we have held over 50 PALS attended by around 5,000 leaders from 2,000 patient groups in 49 countries.

In 2007 we co-sponsored the European Patient Forum's annual conference in Brussels with the pharmaceutical company Pfizer. This brought together 100 patient groups and other stakeholders to exchange ideas about improving healthcare and the role of patient organisations.

Developing industry standards

We are taking a leadership approach in developing industry standards for engaging with patient groups.

In the US, we are working with the industry trade group, PhRMA, to develop guidelines for its members when working with patient groups. We are also working with the National Health Council to develop guidelines for patient groups to follow when working with companies.

In Europe, we have been involved in leading the development of the first EFPIA code of practice on relationships with patient organisations. The code is closely based on GSK's SOP for working with patient groups, and a senior GSK manager chaired the EFPIA Patient Relations network that developed the code.

The EFPIA code contains many of the requirements of GSK's SOP. It states that companies cannot promote their medicines to patient groups, there must be written agreements in place for all interactions with patient groups, and companies must list all patient groups they work with and describe the nature of any support. The code will be effective from July 2008.



How do you make sure that your lobbying activity doesn't contradict or undermine your corporate responsibility work?

Corporate responsibility is central to our business. We aim to ensure that all our lobbying activity reflects the values set out in this report as well as being sensitive to the views of our stakeholders. Employees involved in public policy must abide by our Employee Guide to Business Conduct which commits them to acting with honesty and integrity.

We have well-established public policy positions. These are developed through wide consultation and are approved by our Corporate Executive Team. Employees who lobby for GSK are closely involved in developing these positions. We believe transparency is key to building trust with our stakeholders and we disclose our public policy positions in this report and on our [website](#).

Does GSK make political donations through so-called '527' organisations?

Yes, we support a number of '527' organisations such as the Democratic Legislative Campaign Committee and the Republican Governors' Association (see [page 20](#)).

Isn't your support for patient groups just another marketing tool?

Our support for patient groups is primarily about the bigger agendas which dictate whether new medicines are made available to patients, and whether patients have access to the kind of treatments that they need. It can also help raise awareness of prevention and treatment options. We do not promote our medicines to patient groups.

When GSK provides funding are you trying to 'buy' favours from the patient organisation?

No. We never ask for endorsement of any of our medicines or a return on investment for our support. We are careful that our support for an organisation does not compromise its independence and is based on trust, mutual respect and complies with the highest standards of our code of conduct.

How do these groups maintain their independence if they receive significant funding from companies such as GSK?

We encourage patient groups to diversify their funding from sources in both the public and the private sector. Patient groups should never become dependent on any one funder from either sector. Our guidelines state that we should provide no more than 25 per cent of a group's overall income, apart from in exceptional circumstances, see page x.

Links

In the background section of our website:

- Full details of our funding for [patient organisations](#) in the UK and Europe
- Our current public policies cover the following areas:
- [GSK access and developing countries](#)
- [GSK research and development](#)
- [GSK and intellectual property](#)
- [GSK and the environment](#)
- [GSK and public health](#)
- [GSK and competitiveness](#)
- [GSK pricing, reimbursement and market access](#)
- [GSK and other issues](#)

Contribution to global health

In the last century revolutionary advances in healthcare have helped to improve health and increase life expectancy. Yet ill health and disease continue to place a huge burden on society: 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. Additionally, emerging diseases such as pandemic flu pose potentially serious threats. Ill health is also expensive, it can increase healthcare costs and reduce economic productivity.

Headlines

- Supplied 1.1 billion vaccine doses, of which 78 per cent were shipped for use in developing countries
- In 2007, GSK had products listed in 17 out of 27 therapeutic areas on the WHO Essential Medicines List
- Launched a major new treatment for breast cancer and a vaccine to help prevent cervical cancer
- Invested £3,327 million in R&D in 2007
- We have over 150 prescription medicines and vaccines in clinical development
- Created two new research Centres of Excellence
- Funded basic medical research to increase understanding of the human body and the impact of disease

Our business makes a significant contribution to society through the research, development, manufacture and marketing of products that address the medical needs of patients. How we respond to society's healthcare needs is the most important responsibility issue for GSK. It is also central to our commercial success. Our portfolio and product pipeline include medicines and vaccines for serious diseases prevalent in developed and developing countries, as well as health-related consumer products.

This section explains our approach to:

- Preventing disease: GSK is one of the world's largest vaccines businesses
- Treating ill health: our products treat some of the diseases that place a high burden on society
- Investing in R&D: our pipeline includes new medicines and vaccines that are needed in developing and developed countries
- Contributing to scientific understanding: we participate in partnerships that advance scientific knowledge and lay the ground for future medical advances

Our products are only beneficial if they are accessible and affordable to patients. This section of the report should be read in conjunction with [Access to medicines](#), which explains our efforts to increase access to our key products in developing and developed countries and the Community investment section (page xx) which summarises our work with communities to improve healthcare.

Preventing disease

Disease prevention can play a critically important role in reducing the global disease burden and the economic costs of ill health.

The value of vaccines

Vaccines play a major role in preventing disease and are the cornerstone of public health programmes around the world. Immunisation is acknowledged by WHO as being 'among the most cost-effective of health investments'¹.

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. Over 1,500 scientists work in vaccine research at GSK and we believe our vaccine pipeline is the largest in the industry.

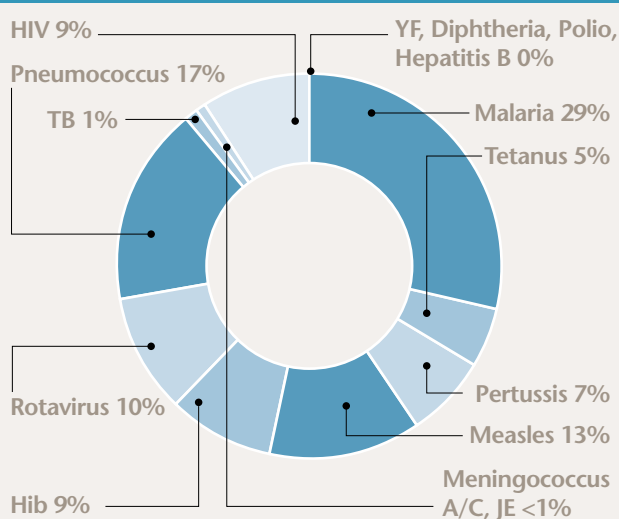
In 2007 we supplied 1.1 billion vaccine doses. Of these 78 per cent were shipped for use in developing countries. For more on our [tiered pricing system for vaccines](#), see page 41.

¹WHO fact sheet No. 208

Our vaccine portfolio

Our vaccine portfolio addresses the medical needs of developing and developed countries. GSK vaccines are included in immunisation campaigns in 169 countries worldwide. Our portfolio covers most of the leading causes of childhood mortality, as defined by the World Health Organization.

Deaths from infectious diseases in children under – five 2002



Source: World Health Report 2004: Data are the latest available (2002), 10.6 million total annual deaths in children under the age of five.

Our vaccine range includes products that protect against the following diseases:

- Cervical cancer
- Chickenpox
- Diphtheria
- Hepatitis A and B
- Influenza
- Measles
- Meningitis
- Mumps
- Polio
- Rotavirus
- Rubella
- Tetanus
- Typhoid
- Whooping cough (Pertussis)
- Pneumonia, otitis media and bacterial meningitis

Vaccination campaigns can play a very significant role in reducing ill health. For example, it is estimated that at least six million deaths are prevented and 750,000 children are saved from disability due to vaccines every year². The number of deaths in Africa from measles fell 91 per cent between 2000 and 2006 due to better coverage of routine immunisation programmes and targeted campaigns to ensure that children had a second chance to be vaccinated³.

However, despite this progress, it is estimated that the lives of over two million children could be saved each year if existing vaccines were made accessible to all who need them.

Disease awareness and education

Better disease awareness among healthcare professionals and the public can help to prevent ill health. We support patient education through our work with [patient groups](#) and through our own disease awareness campaigns. These campaigns are run around the launch of a new product. This can have a positive impact on public health and create commercial benefits for GSK.

For example, *Cervarix* is our vaccine against cervical cancer. It helps to prevent infection from the most common cancer-causing types of the Human Papilloma Virus (HPV) which can lead to cervical cancer. A year before we launched *Cervarix* in Europe, research in this region showed that as few as two per cent of women knew of the link between HPV and cervical cancer. We ran disease awareness campaigns across our International Region and in many European countries to highlight this link and educate people on the importance of screening to help prevent cervical cancer. The campaigns targeted healthcare professionals, media, policy makers and women through press articles, educational events for

healthcare professionals and support for cervical cancer patient groups and their activities, such as the European Cervical Cancer Prevention Week.

Rotarix is our vaccine against rotavirus, a leading cause of gastroenteritis infection. Rotavirus is associated with 25 million clinic visits, two million hospitalisations and more than 600,000 deaths worldwide among children under five every year⁴. Its launch in Mexico in 2004 and other Latin American countries was preceded by a widespread disease awareness campaign. To achieve this, GSK educated journalists about gastroenteritis infection caused by rotavirus, its causes and how to prevent it; for example through vaccination and how to detect its symptoms early. Rotavirus can quickly become fatal if a child becomes dehydrated and does not receive treatment. Our educational materials emphasise the importance of vaccination and give guidance on prompt detection and treatment methods.

²Ehret J. The Global Value of Vaccination. *Vaccine* (2003); 21 (7-8):596-600

All GSK-led disease awareness activities and campaigns are non-promotional and comply with our ethical marketing codes.

Other disease prevention work

Other areas of our work that contribute to better disease prevention include:

- **Smoking cessation** – smoking is a major public health problem, contributing to around five million premature deaths every year. Our nicotine replacement brands (including *NiQuitin CQ/NicoDerm*, *Commit lozenge* and *Nicorette*) have helped more than 6.3 million people stop smoking since 1996.
- **Community investment** – we are participating in the Global Alliance to Eliminate Lymphatic Filariasis, a leading cause of disability in tropical countries. Our PHASE hand-washing programme helps to prevent the spread of diarrhoea-related disease in children in developing countries. See page 112
- **Obesity** – obesity is a major cause of ill health and diseases such as diabetes. *alli* is our over-the-counter weight-loss treatment, see [page 67](#).

Treating ill health

Our key products target serious diseases in seven main areas:

- Anti-bacterials (antibiotics) and anti-malarials: infections, malaria
- Anti-virals: HIV/AIDS, herpes and hepatitis B
- Cardiovascular and urogenital: heart failure, hypertension, deep vein thrombosis,
- Central nervous system: migraine, epilepsy, depression and Parkinson's disease
- Metabolic: diabetes and osteoporosis
- Oncology: breast, cervical, lung and ovarian cancer, non-Hodgkins lymphoma, leukaemia
- Respiratory: asthma and chronic obstructive pulmonary disease, rhinitis

We also make vaccines which prevent serious diseases, see [page xx](#).

Our products help to improve health in a number of ways:

- **Prolonging life** – our anti-retrovirals (ARVs) such as *Combivir* help patients to control the effects of HIV infection for many years. We sell our ARVs to the Least Developed Countries and to countries in sub-Saharan Africa at not-for-profit prices. See [Access to medicines](#), page 40
- **Preventing complications** – many diseases such as diabetes are progressive – if patients do not receive the right treatment they can suffer severe complications. For example, every day in the US diabetes is the cause of an estimated 225 lower limb amputations, up to 66 cases of blindness, and 117 people experiencing kidney failure.

Avandia, our diabetes treatment, helps patients to control their symptoms, delays the progression of the disease and prevents complications. *Avandia* has now been used by more than seven million people worldwide. For our response to questions about [Avandia](#) see page 60.

- **Improving quality of life** – many of our medicines such as those for asthma and diabetes help patients with chronic diseases live full and productive lives. GSK preventative treatments for asthma such as *Seretide/Advair* control the symptoms of asthma and prevent asthma attacks
- **Curing infection** – we produce antibiotics that treat respiratory tract and other infections. We donate antibiotics to help relief efforts in disaster areas

The cost of disease

Ill health is expensive for the individual and for society. Ill health is often a result of poverty but it is also an important cause of poverty. For patients it can mean loss of quality of life, loss of earnings and shortened life expectancy. It can place a great burden on families – for instance the need to care for sick relatives can reduce attendance at school or work. For governments, employers and tax payers it can mean increased healthcare costs and loss of workforce productivity.

In Africa and parts of Asia, AIDS has had a serious effect on human and economic development, undermining progress towards the [Millennium Development Goals](#) and poverty reduction efforts. The World Bank estimates that the deaths of working age adults from HIV/AIDS may subtract one per cent a year from GDP economic growth in some sub-Saharan African countries. In South Africa HIV/AIDS may depress GDP by as much as 17 per cent over the next decade⁵. Malaria is estimated to cost African nations about \$12 billion a year in lost economic output⁶.

According to the US government's Centers for Disease Control and Prevention (CDC) the costs of chronic disease in the US alone include⁷:

- \$132 billion a year in direct and indirect costs due to diabetes
- \$22 billion in annual medical care costs for arthritis and total costs (medical care and lost productivity) of almost \$82 billion
- \$129 billion in lost productivity due to cardiovascular disease

Vaccines and medicines have direct and indirect socio-economic values. They help to prevent

Continued on page 27

death, disease and disability, and improve quality of life for patients. They can reduce the burden on healthcare systems by preventing disease and helping patients to control their symptoms and make fewer visits to hospital. They can also contribute to better economic prosperity by enabling people with chronic diseases to work, reducing absence and increasing productivity.

³Progress in Global Measles Control and Mortality Reduction, 2000-2006 can be found at www.who.int/wer/2007/en

⁴Parashar UD, *et al* – Global illness and deaths caused by rotavirus disease in children. *Emerg Infect Dis* 2003; 9:565-72

⁵See WHO www.who.int/trade/glossary/story051/en/index.html. Accessed at November 2007.

⁶See www.millenniumpromise.org/site/PageServer?pagename=malaria_poverty. Accessed at November 2007

⁷See CDC, 'Chronic Disease Overview: Costs of Disease' available at www.cdc.gov/nccdphp/overview.htm. Accessed at November 2007

Investing in R&D

Despite advances in healthcare there are still many diseases for which there is no cure or for which treatments could be improved. Continued research and innovation is essential. Our investment in R&D into new medicines and vaccines is at the core of our business.

Research and development at GSK

The total R&D spend for GSK in 2007 was £3.3 billion. £2.8 billion was invested in pharmaceutical R&D with the remainder funding vaccine and Consumer Healthcare R&D.

We have over 150 prescription medicines and vaccines in clinical development (see our [Annual report](#)). Our pipeline includes research into many diseases including many forms of cancer, infections, respiratory diseases, autoimmune disorders, metabolic and cardiovascular disease, psychiatric disorders and neurological diseases.

Product approvals and submissions

New products approved for the first time in 2007 were:

- *Altabax* – topical treatment of bacterial skin infections including impetigo. *Altabax* represents the first new class of prescription topical anti-bacterials to be approved by the FDA in nearly two decades.
- *Cervarix* – our vaccine to help the prevention of cervical cancer
- *Daronrix* – a flu vaccine for use once a pandemic has been declared
- *Tykerb* – oral treatment for refractory breast cancer
- *Veramyst* – nasal spray for the treatment of allergic rhinitis in adults and children

Approvals were also received for a number of significant new indications and formulations for marketed products including:

- *Arixtra* – for the treatment of unstable angina and myocardial infarcts (acute coronary syndrome)
- *Requip modutab* – once-daily controlled release formulation for Parkinson's disease
- *Seretide TORCH* – for use in a broader population of patients with the lung disease COPD

Over 15 first submissions for new products and product line extensions were made in 2007. Notable first submissions included:

- *Promacta* – for the treatment of short-term idiopathic thrombocytopenia purpura
- *Volibris* – for the treatment of pulmonary hypertension
- Oral *Hycamtin* – for second-line treatment of small cell lung cancer
- *Lamictal* – oral disintegrating tablets for the treatment of epilepsy and bipolar disorder
- Flu pandemic and flu pre-pandemic, both prophylactic vaccines for the prevention of pandemic influenza
- *Kinrix* – a paediatric booster vaccine
- *Synflorix* – a vaccine for the prevention of childhood infections such as bacterial meningitis, otitis media and pneumonia

Of course, R&D is an inherently risky venture. Only one in ten molecules that start human clinical trials ever reaches regulatory approval. Late stage projects terminated during 2007 included *Ariflo* for COPD and *odiparcil* for stroke prevention in atrial fibrillation.

Late stage pipeline continues to grow

In 2007, five products moved into the Medicines Development Centres from Drug Discovery. All these products have completed clinical proof of concept studies by this stage; solabegron for irritable bowel syndrome, totrombopag for thrombocytopenia, darotapion (233705) for chronic obstructive pulmonary disease, 742457 for dementia and 773812 for schizophrenia. Five further products were in-licensed to late-stage development; 1838262 (XP13512) for restless leg syndrome, otilixizumab (TRX4) for type 1 diabetes, elesclomol (STA-4783) for metastatic melanoma, 1363089 (XL880) for cancer and *Lunivia* for insomnia.

Expanding our research capabilities

We have created two new research Centres of Excellence for Drug Discovery (CEDD) to focus on areas where there are emerging scientific opportunities. The Infectious Diseases CEDD will help us to build on our long tradition of providing anti-virals and anti-bacterials. The Immuno-inflammation CEDD will research disease pathways that are common to a number of auto-immune diseases and may be important in various other diseases.

We opened 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 disease. [See page 61.](#)

We invest in technology with the potential to extend our research into new areas. For example, in 2007 we acquired a biopharmaceutical company called Domantis, which is helping us build the next generation of antibodies called domain antibodies. We also acquired Praecis, a small company of dedicated experts skilled in expanding chemical libraries to boost our compound collection.

Contributing to scientific understanding

We fund basic medical research conducted outside GSK to increase understanding of the human body and the impact of disease. This is often the foundation for future advances in the diagnosis, treatment and prevention of disease. Often this research is conducted in partnership and uses very new technologies. Recent examples include:

Investing in new imaging technology

We have invested £46 million in a new Clinical Imaging Centre (CIC) at Imperial College, London. Modern imaging technology provides a 'window' to study in fine detail disease processes. Researchers use the CIC to develop new medicines across a broad range of diseases including cancer, cardiovascular disease, and psychiatric and neurological disorders. The CIC has been established in partnership with the UK government, Imperial College and the UK Medical Research Council. We will invest an additional £11 million in the centre every year for the next ten years.

Structural Genomics Consortium

We are a sponsor of the Structural Genomics Consortium (SGC) – an international public-private partnership established to determine and make freely available the structures of proteins relevant to human disease. Through the SGC, 165 scientists at universities in Oxford, Toronto and Stockholm have placed more than 500 structures of proteins into the publicly accessible World Wide Protein Data Bank. This includes proteins associated with diabetes, cancer and infectious diseases such as malaria.

Stem Cells for Safer Medicines

GSK is participating in the Stem Cells for Safer Medicines public-private collaboration with the UK government and other pharmaceutical companies. The consortium is researching the potential for using human stem cells to evaluate the effect of a potential new medicine in the body and accurately predict its safety. This project has the potential to help scientists determine the safety of new medicines earlier in the research process and reduce the need for animal testing.

Serious Adverse Events Consortium (SAEC)

We are members of the newly launched SAEC, an international partnership of leading pharmaceutical companies, the FDA, and academic institutions addressing patient safety and

drug-related side effects. See [Research practices](#) for more information.

Academic collaborations

We invest in research capabilities at universities, fund leading edge academic research projects and support science students. We have more academic collaborations than any other UK-based company with support totalling £16 million in 2007.

Our support benefits the academic institutions through increased funding, technology transfer and access to our research facilities and expertise. It contributes to better scientific understanding and a stronger science base in the countries where we operate. It also benefits GSK by enabling us to tap into R&D expertise and activity outside the company and expands our potential recruitment pool through better trained scientists.

Our support in 2007 included:

- Alliances with discovery units at leading universities to help accelerate drug discovery. For example, we have invested over £10 million to support research at 14 leading UK universities
- A partnership with the Wellcome Trust to train clinicians in translational medicine (translating basic medical research findings into treatment advances)
- A collaboration with the UK Engineering and Physical Sciences Research Council to help researchers acquire advanced chemistry techniques
- Financial support for 300 undergraduate, PhD and post doctoral students in the UK
- Training in GSK laboratories for undergraduates

We also support research in middle-income countries. For example, the INDOX Cancer Trials Network is a collaboration between the University of Oxford and India's top six cancer centres, supported by an educational grant from GSK. By 2020, 70 per cent of all cancer cases will be in middle-income and developing countries and a quarter of these will be in India. The collaboration aims to recruit and retain the highest calibre medical graduates into oncology research through funding research and providing educational opportunities.

The intellectual property rights relating to academic collaborations are typically held by GSK but our partner institutions are free to use the outcome of the collaboration for their own future research. The university also receives a percentage of any financial returns derived from the new intellectual property.

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.

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 many chronic diseases such as asthma, diabetes and heart disease is a major contributory factor.

We are working with governments and employers to find new ways 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, such as obesity and smoking
- Intervention – properly managing chronic diseases to prevent complications, avoid hospitalisation costs and reduce time away from work
- Innovation – developing new treatments for costly unmet medical needs such as Alzheimer's disease and stroke (see page x)

Our current programmes include:

The Diabetes Ten City Challenge

Each day in the US, diabetes causes an estimated 225 lower limb amputations and up to 66 people to lose their sight. However with the right treatment these complications can be prevented.

The Diabetes Ten City Challenge, supported by GSK, is a partnership of city governments and private employers in ten cities, the American Pharmacist Association (APhA) Foundation, and pharmacists. It helps employees with diabetes manage their condition through nutrition and medication and by adopting a healthy lifestyle. It aims to prevent serious side-effects and reduce associated healthcare costs.

Key features include:

- Lower co-pays (the portion of prescription costs paid for by the patient) this makes medicines more affordable and makes it more likely that patients will adhere to their prescribed treatment regimen
- Regular meetings between patients and pharmacists to discuss symptoms and identify any potential complications as early as possible

- Help for participants to set and achieve nutrition, exercise and weight loss goals through printed materials and meetings with pharmacist coaches

The programme is based on the APhA Foundation's Asheville Project, which helped reduce healthcare costs for participating employees by over 34 per cent and cut absenteeism by 50 per cent on average.

Findings and resources are being shared with other employers outside the ten cities through a dedicated website.

Working with employers

In the US, healthcare is a major source of expenditure for employers. Absence from work due to ill health can also be a significant cost. We are working closely with many large employers across the US to help them create health management programmes that remove barriers to healthcare access, reduce healthcare costs and improve health.

Our team has worked with more than 200 employers to:

- Identify diseases that put the greatest burden on healthcare budgets
- Encourage employers to provide preventive services to workers. For example regular health screening to detect early signs of disease awareness campaigns and initiatives to help employees adopt a healthy lifestyle such as 'quit smoking' clinics and gym membership
- Develop disease management programmes which help employees control their symptoms and stick to their treatment regimens

We may advise employers to create new incentives for better health management; for example, reducing the co-pay element of prescription medicine charges. This can increase the total amount employers pay for pharmaceuticals in the short term. However, by improving patient medication adherence rates, it can prevent costly complications and time away from work in the longer term – and help to lower overall healthcare costs.



What factors do you consider when prioritising your R&D efforts?

There are three main interrelated factors – science, patient need and commercial potential.

We assess scientific opportunities to determine how advances in scientific and disease understanding may lead to innovative new ways to treat or prevent disease. We continually evaluate the scientific information we obtain on our compounds to help us predict whether they can be developed into effective and well tolerated medicines.

Assessing patient need is fundamental to R&D at GSK. It ranges from looking for medicines that will treat diseases for which there are no current effective treatments, to the development of medicines that improve on existing treatments in terms of safety, efficacy or ease of use.

Our assessment of the commercial potential of possible new treatments includes: how our product would be differentiated from those of our competitors; the size of the potential market for any new treatment; and the range of conditions it may be suitable for treating.

The better able we are to meet patient needs, the more likely it is that a product will be commercially successful. However, it is not always possible to achieve a return on investment, for example when developing treatments for diseases that are prevalent in the developing world. In some cases, where commercial potential is limited but patient need is high, we may seek ways to share the costs and risks associated with drug development, see [Access to medicines](#).

Are you researching drugs into serious diseases?

Yes. Our pipeline and product range includes products against most of the major causes of mortality and morbidity (disease).

Our product launches in 2007 included *Tykerb* our new breast cancer treatment, and *Cervarix* our cervical cancer vaccine. Our top-selling products in 2007 were designed to treat asthma and chronic obstructive pulmonary disease, epilepsy and bipolar disorder, diabetes, herpes and migraine. Our vaccines portfolio which includes vaccines to prevent influenza, hepatitis, rotavirus and many childhood illnesses such as measles and rubella, is also growing very strongly.

How do you measure R&D productivity?

The ultimate measure of our productivity is the delivery of new medicines to meet patients' needs. In 2007, GSK launched five products based on new chemical or biological entities and a number of product line extensions that benefit patients. However, given that research and development can take longer than ten years, we measure productivity in a number of ways during the R&D process, including:

- The number of compounds in our pipeline, and the emerging risks and benefits of these compounds
- Our success at progressing compounds in our pipeline through clinical trial Phases I, II and III and to market registration
- The speed of progress through our pipeline, which is an indication of the efficiency of our R&D processes.

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

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 such as 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, for example systems biology tools, genome wide association scans, new *in vitro* and *in vivo* models and sophisticated imaging equipment
- More extensive requirements from regulators and healthcare payers including the need to conduct larger clinical studies to evaluate the long term outcome of treatment with a medicine

Our approach is to focus on meeting patients' needs and increasing the effectiveness and efficiency of R&D. For example, we have established a number of Centres of Excellence for Drug Discovery (CEDDs) and Medicine Development Centres each focused on discovering innovative medicines for a particular therapeutic area. These organisations 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 our work in immuno-inflammation and infectious diseases. We take advantage of scientific excellence and talents outside GSK through scientific partnerships and collaborations, such as through the Centre of Excellence for External Drug Discovery (CEEDD).

Links

In this report:

- [Access to medicines](#)
- [Research practices](#)
- [Community investment](#)

On our website

- [Our products](#)
- [Our pipeline](#)
- [Our annual report and accounts](#)

Other resources

- Centers for Disease Control and Prevention www.cdc.gov
- Diabetes Ten City Challenge www.aphafoundation.org/Programs/Diabetes_Ten_City_Challenge/
- GAVI www.gavialliance.org
- World Health Organization www.WHO.int
- UNICEF www.unicef.org/

Access to medicines

Access to healthcare is one of the world's most pressing social challenges. Countries face differing problems and priorities depending on their economic development. Every year millions of people in Africa die from curable infectious diseases such as malaria and TB because they do not have access to basic healthcare services, including essential medicines. Yet this problem is not confined to the developing world. In the US, many people suffer unnecessary ill health because they do not have healthcare insurance.

Headlines

- **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**
- **Approvals granted in the EU for new scored ARV tablets for treating HIV/AIDS in children**
- **Committed to donate 50 million doses of pre-pandemic H5N1 influenza vaccine to the World Health Organization's 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**

We support efforts to improve access to medicines around the world, in both developing and developed countries. In each we look for innovative solutions to their healthcare challenges and use our influence to press for wider change.

We believe that governments have the primary responsibility for delivering healthcare, supported by intergovernmental agencies and non-governmental organisations (NGOs). However, our industry can and should play a significant role. Indeed access to medicines is one of GSK's strategic business drivers (see [CR at GSK, page 8](#)).

Increasing access to medicines is important to our business for ethical, reputational and commercial reasons:

- Helping to increase access to lifesaving medicines is morally the right thing to do and is valued by our shareholders, employees and other stakeholders. Playing our part in the global response to improving healthcare in the developing world is aligned to our corporate mission and contributes to our reputation and our ability to attract and retain talented employees
- As a pharmaceuticals and healthcare company, our business is not sustainable if we are only concerned with the 20 per cent of the world's population who currently have access to our medicines. Companies that adapt their business practices to address such challenges will be the leaders of the future
- Other aspects of business sustainability are also affected. Lack of access to medicines has been blamed by some on intellectual property rights. By finding innovative approaches we can increase availability and affordability for patients while maintaining support for the intellectual property system. Intellectual property rights are essential to the pharmaceutical industry because they create the incentives for investment in R&D for new medicines and vaccines

We believe GSK is making an innovative, responsible and, above all, sustainable contribution. However, some stakeholders believe that the pharmaceutical industry is not doing enough to help increase access to medicines. While we may not always agree with these stakeholders, we do take their concerns seriously and consider their views and feedback when reviewing our access policies.

During 2007 we held a series of stakeholder workshops to help us better understand external views of our approach and identify areas of concern. Coming out of this dialogue was a desire from stakeholders to have a better understanding of our approach to middle-income countries such as Brazil, China, Thailand and Indonesia and so this is covered in this report. A summary of the findings is available in the [Stakeholder engagement](#) section, see page 11. We have also had open discussions with Oxfam in the development of their report on the industry. A commentary on their report is on [page 44](#).

This section explains our approach in two areas:

- **Developing countries** – research and development of new vaccines and medicines for diseases that disproportionately affect the developing world, preferential pricing, voluntary licencing and exploring new business models, especially in middle-income countries.
- **Developed countries** – pricing or discount arrangements, such as our Patient Assistance Programs and discount cards to help uninsured patients in the US and our Orange Card in Bulgaria and Lithuania.

Through our Global Community Partnership activities we also support under-served communities worldwide through funding, education, practical support and donations. See the [Community investment](#) section of this report, page 112.

Access to healthcare in the developing world – whose responsibility?

Improving access to healthcare in developing countries remains a complex challenge. We believe that only a holistic approach embracing prevention and treatment will work. All stakeholders have a role to play:

Pharmaceutical companies must seek to make their medicines as affordable as possible to the world's poorest countries in a sustainable manner and invest in research into diseases of the developing world – new prevention tools and treatments are urgently needed

Wealthy nations must give more. New funding is coming through from the Global Fund to Fight AIDS, TB and Malaria, the Bill & Melinda Gates Foundation, PEPFAR (The US President's Emergency Plan for Aids Relief), UNITAID and others – but funds are still inadequate. Resources are needed to fund research, strengthen health systems, purchase medicines, support disease prevention and to discourage the migration of trained healthcare workers from developing countries.

Developing countries themselves must show genuine political commitment to prioritising healthcare in national budgets, addressing stigma and improving affordability by removing import tariffs on medicines.

As part of this approach, middle-income countries must accept their responsibilities and not seek the lowest prices offered to the world's poorest countries.

All countries should provide an environment that encourages innovation through support for intellectual property (IP) rights, and should avoid measures such as widespread compulsory licensing, which may negatively impact on investment in R&D and innovation. They should also address the risk of product diversion from patients in poor countries to those in wealthier ones.

Advocacy for access to medicines and vaccines

We advocate for a pro-innovation environment and a sustainable approach to improving healthcare in the developing world. See more about our approach in the background section of our website. www.gsk.com/responsibility/index.htm

In 2007 this included:

- Urging the G8 to continue making healthcare in the developing world a major agenda item
- Supporting the development of a pilot Advance Market Commitment for a pneumococcal vaccine
- Working with the UK government on global health issues and in the development of the Department for International Development's (DFID's) AIDS strategy and its Medicines Transparency Alliance (MeTA)
- Providing evidence to the EU Parliament's Committee on International Trade to encourage ratification of the WTO compulsory licensing for export protocol
- Participating in the design of the OECD High Level Forum on neglected diseases
- Discussing IP and innovation with NGOs and other stakeholders
- Presenting to the WHO's Global Partners Meeting on Neglected Tropical Diseases
- Contributing to the design of an Affordable Medicines Facility for Malaria (AMFm)
- Calling for a global pandemic flu preparedness plan
- Addressing HIV/AIDS in the EU and neighbouring countries

More information on lobbying and advocacy is included in the [Public policy](#) section of this report (page 16).

Developing countries

Poverty is the underlying cause of the healthcare crisis in many parts of the developing world. It is a cause of ill-health which in turn causes poverty creating a downward spiral. It means that in the world's poorest countries, millions of people do not have access to reliable food and clean water, never mind adequate healthcare. Despite unprecedented resources being made available for public health, many governments are unable to fund the clinics, staff and medicines needed to deliver basic healthcare.

The WHO recommends a minimum spend on health of £17 per person per year to provide the most basic health services. Yet the average spend in sub-Saharan Africa is just £5¹. The African Region of the WHO suffers more than 24 per cent of the global burden of disease, but has only 3 per cent of the world's health workers. The AIDS pandemic is depriving communities of their greatest asset – healthy and productive people.

¹(Source: Department for International Development (DFID), IHP launch press release <http://www.dfid.gov.uk/news/files/pressreleases/ihp.asp>)

Tackling this crisis is a complex challenge, requiring visionary leadership. Significant political will and extra resources are needed to aid development and build healthcare infrastructure. Disease management programmes need to be well coordinated to ensure that health systems as a whole benefit.

We can make an important contribution by:

- Researching new treatments and vaccines for diseases affecting developing countries
- Improving affordability by reducing the price of key medicines through preferential pricing arrangements and granting voluntary licences to generic companies, where appropriate

Diseases disproportionately affecting developing countries

- Malaria kills over a million people a year, mostly children under five years old
- Around two billion people worldwide are infected with TB and over 1.5 million people die from the disease each year. No new treatments for TB have been developed in the last 40 years
- UNAIDS estimates that HIV/AIDS-related illnesses killed 2.1 million people in 2007 and that over 33 million people worldwide are living with HIV
- Worldwide a woman dies of cervical cancer every two minutes; 85 per cent of these are in the developing world

Our approach

Research and development

There are no effective treatments for a number of diseases affecting developing countries. In other cases, treatments exist but have become less effective due to drug resistance. Sometimes treatments are not suitable, for example, because they are difficult to administer in areas with poor healthcare infrastructure or they are too expensive.

We aim to make a major contribution to health in developing countries by researching and developing affordable new vaccines and treatments for infectious diseases.

We believe GSK is currently the only company researching new vaccines and treatments for all three of the WHO's priority infectious diseases, malaria, TB and HIV/AIDS.

GSK has created a dedicated group in our Pharmaceuticals R&D organisation to focus on diseases of the developing world (DDW). This includes a drug discovery centre at our Tres Cantos R&D site in Spain where over 100 scientists focusing primarily on malaria and TB are based. A similar group exists in our vaccines organisation based in Belgium.

Usually we cannot expect to make a profit from new treatments designed specifically for the world's poorest countries because there is no viable market. To ensure that our activities are commercially sustainable we work in partnership with public bodies and foundations which help to fund the research and often subsidise the eventual cost of medicines. In return GSK agrees to make the resulting products as affordable as possible for the world's poorest. This way of working is known as a public-private partnership, see [page 36](#).

What's different about R&D for medicines for the developing world?

GSK scientists working on treatment projects for diseases of the developing world (DDW) make access to medicines a priority right from the start of the R&D process.

When researching a new DDW treatment we emphasise factors such as:

- **Heat and humidity resistance** – the product must be able to survive in a hot climate where there may not be refrigeration facilities
- **Ease of use** – it must be easy to use in settings where there are limited healthcare facilities. For example, once-a-day tablets that can be taken at home are preferable to an injectable medicine that must be administered in a hospital or clinic
- **Affordability** – price is one of the most important factors. We look for molecules and formulations that are straightforward to manufacture and therefore inexpensive to produce

Development pipeline for diseases that disproportionately affect the developing world February 2008*

Focus	Pre-clinical activity	Phase I	Phase II	Phase III/filed	Marketed
HIV	✓	Integrase inhibitor			<i>Retrovir, Epivir, Combivir, Ziagen, Trizivir, Agenerase, Kivexa, Telzir</i>
Vaccines	Chlamydia Malaria (<i>P. vivax</i>) HIV ✓	HIV HIV (DNA-antiviral vaccine)	TB Malaria (<i>P. falciparum</i>) Hepatitis E Dengue Fever	<i>Synflorix</i> (pneumococcus disease) (filed Jan 2007) N.meningitis combinations	<i>Rotarix</i> – (rotavirus) <i>Havrix</i> – (Hepatitis A) <i>Engerix-B</i> – (Hepatitis B) <i>Twinrix</i> – (Hep A&B) <i>Infanrix/Tritanrix</i> – DPT family (Diphtheria, Tetanus, Pertussis) <i>Boostrix</i> – (DTP acellular) <i>Polio Sabin</i> – (Polio) <i>Priorix</i> – (Measles, Mumps and Rubella) <i>Typherox</i> – (Typhoid) <i>Hiberix</i> – (Haemophilus influenzae type b) <i>Mencevax ACW</i> – (meningitis) <i>Cervarix</i> (Cervical cancer)
Malaria	369796 isoquine 932121 pyridone ✓		tafenoquine		<i>Halfan, Malarone</i>
TB	Mycobacterial Gyrase Inhibitors ✓				
Other	✓		sitamaquine (visceral leishmaniasis)		<i>Zentel</i> (de-worming agent) <i>Pentostam</i> (visceral leishmaniasis) <i>Banocide</i> (lymphatic filariasis)

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

Product registration

Rapid product registration is important to ensure new medicines reach patients as quickly as possible. We use mechanisms such as the European Medicines Agency (EMA), Article 58, to help speed up product registration in developing countries.

There have been concerns that pharmaceutical companies are not doing enough to register essential medicines in developing countries and that this prevents these countries from taking advantage of preferential pricing offers. We regularly review the registration status of our key anti-retrovirals (ARVs) to prioritise registration based on the needs for ARVs. This helps to help make *Epivir*, *Retrovir*, *Combivir* and *Ziagen* available as widely as necessary and possible.

Preferential pricing

Pricing is one of many issues which can impact on access to medicines and vaccines in developing countries, see [page 40](#).

In many developing countries the healthcare crisis is made worse by the burden of HIV/AIDS, TB and malaria. GSK has

both anti-retrovirals (ARVs) to treat HIV/AIDS and anti-malarial treatments in our portfolio. We are committed to increasing access by providing these medicines to the Least Developed Countries and sub-Saharan Africa at not-for-profit prices.

We negotiate preferential prices for our HIV/AIDS medicines with middle-income countries on a case-by-case basis, see [page 41](#).

In addition, we have a well-established tiered pricing model for our vaccines, see [page 41](#).

Preventing product diversion

Product diversion, where not-for-profit medicines are illegally shipped back for sale in wealthier countries, denies treatment to patients in poorer countries. Our anti-diversion measures include specially designed access packs for most of our ARVs and red rather than white tablets for *Epivir* and *Combivir*.

Voluntary licensing

Voluntary licences (VLs) enable local manufacturers to produce and sell generic versions of our products. We do not believe that VLs are a universal solution to tackling HIV/AIDS or disease in general. However, they do have a role to play in efforts to tackle the HIV/AIDS epidemic in sub-Saharan Africa by helping to increase the availability of medicines and contribute to better security of supply.

A decision to grant a VL depends on a number of factors including, in the case of HIV/AIDS, the severity of the epidemic in that country, local healthcare provision and the economic and manufacturing environment. As noted on page 39 we have also granted a VL to Simcere, a Chinese manufacturer, granting them the right to manufacture and sell zanamivir (*Relenza*) containing products in China, and to sell in a number of other countries including all 50 of the Least Developed Countries. Zanamivir is an antiviral which can help treat influenza and the VL was driven by a specific concern to help ensure sufficient supplies in the event of a global flu pandemic.

In all cases where we consider VLs, we need to be sure that the manufacturer can provide a long-term supply of good quality medicines and will implement safeguards to prevent the diversion of medicines to wealthier markets.

Community investment

Many of our community investment programmes support healthcare in developing countries. See [page 112](#).

What is a public-private partnership (PPP)?

In a PPP, companies such as GSK provide the R&D, technology, manufacturing and distribution expertise. Academic institutions may also provide research and disease area knowledge. Public sector partners, governments, or organisations such as the Bill & Melinda Gates Foundation, help fund the development and delivery costs and ensure that medicines get to the people who need them. Funds are usually channelled through organisations such as the Medicines for Malaria Venture (MMV) which also help to coordinate global R&D activity.

Why are PPPs needed?

GSK must remain profitable to sustain our business and to provide funds to enable us to continue to develop new medicines and vaccines. However, there is often limited prospect of a commercial return on R&D into diseases of the developing world. PPPs enable R&D into these diseases by making this work commercially viable, by sharing the risk and costs involved, thereby enabling all partners to do more than each could do on their own.

How does a partnership work in practice?

PPPs can work in many different ways. For example some of our partnerships are centred around our dedicated diseases of the developing world discovery centre at Tres Cantos and our global vaccines business headquartered in Belgium. GSK provides the facilities for medicinal drug discovery and meets all the running costs. Of the 100 scientists at Tres Cantos, half are subsidised by our partner organisations – MMV and the Global Alliance for TB Drug Development (TB Alliance).

As compounds move into clinical development, GSK provides the clinical, regulatory and manufacturing expertise and resources through our global R&D and supply network. Partners help fund the cost of running clinical trials and address issues of access and distribution. This reduces the costs of development and gets new products to patients faster. Research programmes are overseen by joint steering committees with representatives from GSK and our partners.

Does this affect the price of new treatments?

Under the terms of our agreements, all new treatments resulting from PPPs are made accessible to disease endemic countries at affordable prices.

Not-for-profit prices for medicines – key facts

- GSK has offered sustainable preferential pricing for our anti-retrovirals since 1997
- Not-for-profit (nfp) prices apply to GSK's anti-retrovirals and malaria treatments
- Nfp prices are available to all the Least Developed Countries and sub-Saharan Africa – a total of 64 countries. Including PEPFAR countries and eligible Global Fund projects, this comes to over 80 countries
- Eligible customers include public sector customers and nfp organisations as well as private employers in sub-Saharan Africa providing treatment to uninsured staff
- *Combivir*, our leading combination ARV is available at \$0.54 a day
- Our nfp prices are sustainable – we do not make a profit on them, but we do cover our costs. This means that we can sustain supply of these high-quality products for as long as they are needed
- Our nfp prices include insurance and freight costs, unlike the prices quoted by most generic companies. They are applicable to orders of any size and are not dependent on large order quantities

Our performance

Research and development

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.

In January 2008, we announced a new collaboration with the Medicines for Malaria Venture (MMV) to identify novel drugs for the treatment of malaria. Research will focus on macrolide antibiotics, based on azithromycin, which may have promise as an anti-malarial treatment. Under the new agreement, MMV will provide funding for research to be performed at GSK.

Macrolide antibiotics are a well-established class of antimicrobial agents that have a significant role in the treatment of infectious diseases. The macrolide azithromycin is known to have antibacterial activity, but it has also shown some activity against malaria. The research collaboration between GSK and MMV will investigate the potential of azithromycin-based drugs to treat drug resistant malaria.

Examples of R&D projects underway include:

Malaria

Our candidate malaria vaccine for children is currently in Phase II clinical trials. We have been working on this vaccine for over 20 years and have invested more than \$300 million to date. In October the medical journal, the Lancet published results of a study in infants, the most vulnerable age group for malaria in Africa. The study results demonstrated for the first time that African infants exposed to malaria transmission (*P. falciparum*) can be protected by a vaccine. Our candidate malaria vaccine showed 65 per cent efficacy against infection for three months following the third and final dose, and 35 per cent efficacy against clinical disease when measured over a six-month period following the first dose. These landmark results substantially advance the vision of a vaccine capable of protecting young African children against malaria. A pivotal Phase III trial is planned, which if successful could result in submission to regulatory authorities in 2011.

Malaria treatment projects include:

- Tafenoquine, a potential new treatment for the radical cure of *P. vivax* malaria being developed in partnership with MMV and the US Walter Reed Army Institute of Research
- Pyridones, a new class of compounds with the potential to be highly effective against drug-sensitive and drug-resistant strains of both *P. falciparum* and *P. vivax* malaria. Pyridone GSK932121 is being developed in partnership with MMV. It is expected to enter 'First Time in Human' clinical trials in October 2008. A back-up programme included in the GSK/MMV agreement is now well advanced and a candidate for development is expected by late 2008
- Novel antimalarial macrolides, are effective against *P. falciparum* and multi-drug resistant (MDR) strains. This project is being developed by a joint team at GSK Zagreb and Tres Cantos. An agreement with MMV was announced in January 2008 to include this project in the GSK/MMV agreement
- Ongoing work on falcipain inhibitors, compounds which prevent the malaria parasite from developing

In February 2008, GSK and MMV received data from two Phase III clinical trials assessing use of the artemisinin-based combination therapy *Dacart* we were developing together. One trial was primarily designed to establish the efficacy of *Dacart* versus *Coartem*TM, currently the first-line anti-malarial therapy in many endemic countries. The second trial was designed to establish the efficacy of *Dacart* versus *Lapdap* (chlorproguanil and dapsone), another anti-malarial product GSK had developed in a partnership including the World Health Organization (WHO) and the UK's Department for International Development.

A key safety finding from these trials was that patients with glucose-6-phosphate dehydrogenase (G6PD) deficiency were found to be more at risk of anaemia after taking either *Dacart* or *Lapdap*. Consequently, given the haematological profile of *Dacart*, and the fact that 10-25 per cent of the population in sub-Saharan Africa is G6PD deficient, GSK and MMV decided to terminate the further development of *Dacart*. For the same reasons, GSK also decided to withdraw *Lapdap* from the market.

This disappointment highlights the highly risky and complex nature of pharmaceutical research and development. However, GSK remains committed to working with partners such as MMV to seek solutions for patients suffering from this devastating disease.

At the time of the announcement Tim Wells, Chief Scientific Officer of MMV, said 'The tough decision to halt the development of *Dacart* was driven by quality data demonstrating that the MMV-GSK partnership puts patients first. We are proud of the professionalism and dedication of the project team, investigators and their teams and grateful to all the patients who participated in the study.'

Dr Arata Kochi, Director Global Malaria Programme, WHO commented: 'GSK has acted with responsibility in taking action to withdraw *Lapdap* from the market and to discontinue any further development of medicines based on this compound. We therefore commend the display of integrity on the part of GSK, an important pharmaceutical collaborator, and its partner organisation MMV, and welcome this spirit of honesty and transparency as a foundation for future collaboration for the development of products to fight malaria.'

Tuberculosis:

Our tuberculosis medicines research is conducted in partnership with the Global Alliance for TB Drug Development (TB Alliance). In January 2008 we announced a renewal, for a further three years, of our joint research programme with the TB Alliance. Speaking at the time of the announcement, Dr. Mel Spigelman, TB Alliance Director of Research and Development, said 'We are encouraged by the success of our pioneering work with GSK, which has nearly doubled the number of TB drug discovery projects in our pipeline. This collaboration is advancing the TB Alliance's mission to develop revolutionary, faster and better TB treatment regimens by exploring new ways to attack the disease.'

Our lead TB project on mycobacterium gyrase inhibitors expects to select a candidate for development in the first half of 2009.

Other TB partnership projects underway include:

- Research into biomarkers. Currently, the effectiveness of a new TB drug cannot be determined until 18-24 months after completion of treatment. Biomarkers that enable us to predict at an early stage how patients are responding could significantly speed up TB research
- Mtb72f, our TB candidate vaccine, being developed with the Aeras Global TB Vaccine Foundation. Early results are positive, suggesting that the vaccine is safe and produces a strong immune reaction. Trials are now planned for TB endemic regions

HIV/AIDS:

We have been involved in AIDS vaccine research for over two decades. We are now pursuing four separate vaccine technologies. A successful AIDS vaccine might combine several of these approaches:

- Gene fusion – the measles vaccine is one of the most powerful, providing life-long protection against the disease. We are working with the Pasteur Institute in Paris to develop an AIDS vaccine by fusing genes from the HIV virus onto a measles vaccine
- Adenovirus vector – a project with the International AIDS Vaccine Initiative
- F4co, our own candidate vaccine currently in Phase I clinical trials
- An adjuvanted envelope protein vaccine capable of producing neutralising antibodies against HIV infection

We are working on new HIV medicines in several different drug classes, including an integrase inhibitor in phase 1, and a number of pre-clinical projects. Integrase inhibitors are a clinically proven class of compounds which have been shown to result in rapid and profound viral suppression. We are currently evaluating several candidates which may have once-daily dosing potential and better resistance profiles.

In 2007, there were 2.5 million children living with HIV worldwide – nearly 90 per cent of them in sub-Saharan Africa. We are committed to improving the treatment of children living with HIV/AIDS by developing products designed for use in children and developing scored tablets that simplify treatment.

In 2007 we gained approval from the European Commission for new scored tablets for *Epivir*, *Combivir* and *Ziagen*. This will enable children above 14kg weight to benefit from a solid dosage form.

Scored tablets enable our ARVs to be broken into two smaller doses which simplifies treatment for children. WHO and UNICEF have stated that access to a tablet form of ARVs could improve treatment options for children able to swallow tablets. Tablets are often easier to store and distribute, and also less complicated to administer than the liquid formulations currently available – particularly when two or three medicines are combined in one pill.

The new tablets can make treatment easier for children. For example, a child weighing 20 kg can now take half a tablet of *Combivir* in the morning and the second half in the evening in combination with another ARV, instead of requiring 8 ml of *Epivir* solution twice a day plus 12 ml of *Retrovir* solution three times daily.

We have also committed to support four paediatric clinical studies in resource-poor countries to determine the best ways to expand access to HIV/AIDS treatment.

Visceral leishmaniasis (VL)

Sitamaquine is our new oral, once-a-day treatment for visceral leishmaniasis (VL) a potentially fatal disease spread by parasites. Data from two Phase II proof-of-concept studies in Kenya and India are encouraging overall. After a 28-day course, 85 per cent of patients remained cured at six months.

Sitamaquine was generally well tolerated by patients in these studies. However, there were some concerns regarding renal adverse events seen in a few subjects, some of which appear to be treatment-related.

Interpretation of these data is complicated, in particular because VL itself is associated with renal impairment. Before proceeding to Phase III trials, we set up a Phase IIb study to compare the safety and tolerability of a 21 day course of sitamaquine with that of intravenous amphotericin B. Early results showed comparable efficacy to previous studies, despite the shorter course, and sitamaquine was very much better tolerated than amphotericin. A small number of patients had mild, reversible renal side effects.

Pandemic flu

If it happens, an influenza pandemic could have a devastating effect on developing countries, particularly the poorest who have the least resources and capacity to prepare. GSK has invested more than \$2bn in developing and expanding vaccine and antiviral capacity including the production of so-called pre-pandemic vaccines – vaccines which are based on currently circulating strains and can be produced and stockpiled now, before a pandemic. They should not be confused with pandemic vaccines, which will be matched to the strain identified at the outset of a pandemic. In February 2008 GSK's pre-pandemic H5N1 vaccine was the first to receive a positive opinion from Europe's Committee for Medicinal Products for Human Use (CHMP).

The advantage of pre-pandemic vaccines is that they can be used as soon as, or before, a pandemic has started whereas pandemic vaccines will only become available four to six months after the start of a pandemic due to the production lead time from strain identification. It will then take 12 to 18 months to complete global supply and vaccination – too late to protect against the first pandemic wave, which is likely to occur in the first three to six months.

We are playing a leading role in global efforts to help the world prepare for a flu pandemic. For developing countries we have announced our intention to;

- Donate 50 million doses of pre-pandemic vaccine to the WHO's planned stockpile facility
- Ensure developing countries have access to our vaccines at tiered prices which reflect their ability to pay (prices are linked to Gross National Income as defined by the World Bank)
- Provide additional doses of our pre-pandemic vaccine to the WHO at a highly preferential price
- Sell our adjuvant, which increases the immunoresponse of vaccines, to governments
- Work with the international community to develop a global preparedness plan

Additionally, we have granted a voluntary licence to Simcere, a Chinese manufacturer, granting them the right to manufacture and sell zanamivir (*Relenza*) containing products in China, and to sell in a number of other countries including all 50 of the Least Developed Countries.

Developing a comprehensive, effective and sustainable solution to global pandemic preparedness requires a genuine public-private partnership with all countries and organisations working together on a common strategy.

We are working with the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), the WHO, the UN and major governments around the world, to ensure that a robust pandemic plan is put in place to help developing countries, especially the poorest. We believe this should include:

- Stockpiling of pre-pandemic H5N1 vaccines by the WHO for developing countries
- Putting in place Advanced Purchase Agreements to guarantee developing countries have access to pandemic vaccine in the event of a pandemic
- Assessing partnership opportunities in developing countries for technical assistance to ensure rapid access to vaccines in the event of a pandemic.

See case study on [page 47](#).

Product registration

Cervical cancer and rotavirus

In October 2007 we submitted *Cervarix*, our cervical cancer vaccine, to the WHO for pre-qualification. Products with prequalification status may be used by UN agencies and the GAVI Alliance, as well as in mass vaccination programmes across the developing world. By submitting *Cervarix* for prequalification as early as possible, we are working to eliminate the historical 15-20 year delay for new vaccines to become available in developing countries.

Early in 2007, we received prequalification status for our rotavirus vaccine, *Rotarix*, from the WHO.

We concluded a deal with the Brazilian government institute, Fiocruz, to supply enough *Rotarix* to protect every baby in Brazil against rotavirus for the next five years. This includes a technology transfer agreement under which Fiocruz will produce *Rotarix* for the domestic market and manufacture *Rotarix* for GSK under contract for export to other developing countries. This is similar to existing arrangements in Brazil for our oral polio vaccine, Haemophilus influenzae type b (Hib) vaccine and measles, mumps and rubella vaccine.

HIV/AIDS

Our access packs for *Combivir*, *Epivir* tablets, *Epivir* solution, and *Trizivir* are now registered in at least 30 countries. This means that including those countries which do not have formal regulatory approval processes, these products are available for sale in over 50 out of our target 64 countries. Our second line ARV, *Ziagen* is formally registered in tablet form in 26 countries and as oral solution in 23 of our target 64 countries. *Ziagen* access packs are registered in some of these countries and we are in the process of seeking registration in the others.

Preferential pricing

As described in the feature box on [page 37](#), we offer our anti-retrovirals (ARVs) and anti-malarials at not-for-profit (nfp) prices to public sector customers and not-for-profit organisations in 64 countries - all the Least Developed Countries (LDCs) and all of sub-Saharan Africa (SSA). In February 2008, we announced significant new price reductions for our ARVs offered on a nfp basis to these countries. This reduction was the fifth time we have reduced prices as part of our pioneering preferential pricing policy originally introduced in 1997.

The most significant reduction, of almost 40 per cent, was on *Ziagen* oral solution (abacavir), which is recommended by the World Health Organization (WHO) for use in first-line and second-line regimens within resource-limited settings, particularly for children. A number of factors enabled us to implement these price changes, including improvements and efficiencies in manufacturing and supply, and reductions in the costs of active ingredients.

The 2007 prices of our leading ARVs and the new prices are given below:

Anti-retroviral	2007 price per day US\$	Price from Feb 2008	% change
<i>Combivir</i>	0.65	0.54	-17.0%
<i>Epivir</i>	0.19	0.17	-8.2%
<i>Ziagen</i>	1.74	1.20	-31.3%

These prices include insurance and freight costs.

Number of tablets shipped

In 2007, we shipped 13 million tablets of nfp *Combivir* and 72 million tablets of nfp *Epivir* to the developing world, compared with 27 million and 59 million last year. The decline in *Combivir* is more than outweighed by a growth in volumes from our licencees. In 2007 our licencees supplied 183 million tablets of their versions of *Epivir* and *Combivir* to African countries. During 2007 GSK supplied ARVs at nfp prices to 31 countries, down from 51 in 2006. This reflects fewer orders from PEPFAR as well as a reduced number of Latin American and African countries. We will continue to look for new customers for our nfp ARVs in these countries and to regularly review our nfp prices. However, it may well be that our licencees are able to produce first-line ARVs at lower costs and will continue to increase their share of the business.

Patients receiving treatment

It is difficult to estimate the number of patients treated as a result of our preferential pricing agreements, since we do not control healthcare provision. However, the WHO estimates that two million people in the developing world were treated with ARVs at the end of 2006.

A report from the [Accelerating Access Initiative](#) (AAI), suggests that by June 2007, some 694,400 patients in developing countries were receiving at least one ARV treatment supplied by the eight R&D based pharmaceutical companies in the AAI. The total number of patients in developing countries receiving treatment from the AAI companies has increased by a third from June 2005. This includes 458,700 patients in Africa,

an increase of three quarters over two years. Overall shipments and patient numbers are still low given the scale of the AIDS epidemic in Africa but the growth is encouraging. Sales of ARVs by our licencees are not included in this analysis.

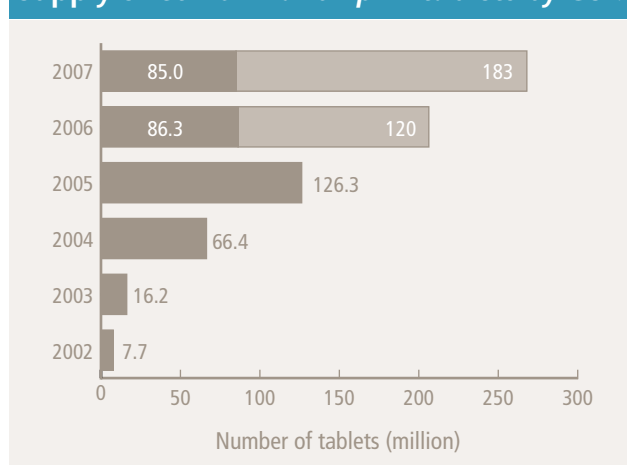
Voluntary licensing

We granted our first VL in 2001 and have now negotiated eight licensing agreements for our ARVs in Africa. Some of our VLs cover individual countries or trade blocs while others cover all of sub-Saharan Africa.

In August 2007 we gave consent to enable a Canadian company, Apotex, to manufacture a generic fixed dose combination ARV, containing two molecules over which GSK has patent rights, for the treatment of HIV/AIDS in Rwanda. This consent was granted under Canada's Access to Medicines Regime which reflects the WTO '31f' agreement. This enables governments to authorise the production of certain patented medicines for export. GSK agreed to waive royalties on the basis that Apotex's triple combination generic ARV will be supplied on a not-for-profit basis.

Our licencees supplied 183 million tablets of their versions of *Epivir* and *Combivir* to Africa in 2007. This represents more than 50 per cent growth over 2006. We welcome this trend as it gives customers in sub-Saharan Africa greater choice and contributes to better security of supply.

Supply of *Combivir* and *Epivir* tablets by GSK*



Key:

■ GSK

■ GSK licencees

*This includes preferentially priced tablets supplied by GSK and tablets supplied by our licencees.

Vaccines – our tiered pricing model

Vaccines can make a significant contribution to public health, helping to prevent many potentially fatal infectious diseases ([see page 25](#)). Immunisation is acknowledged by WHO as being 'among the most cost-effective of health investments'².

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 as well as the size of an order and length of a particular supply contract. For the developing world prices can be as little as a tenth of those for developed countries.

We work with multinational organisations such as GAVI, UNICEF, the World Health Organization and the Pan American Health Organization, governments and non-governmental organisations, to provide appropriate and affordable vaccines for developing countries. By selling our vaccines in large volumes through longer-term contracts we are able to significantly reduce the price of each individual dose.

This includes basic polio vaccines as well as specially developed combination vaccines that target several diseases. In 2007, of the 1.1 billion vaccines we shipped, 78 per cent went to the developing world.

Many of our vaccines are included in government vaccination programmes in middle-income countries. For example, *Rotarix*, our rotavirus vaccine, is now included in government vaccination programmes for new-born babies in Brazil, El Salvador, Mexico, Panama and Venezuela. In 2007 we supplied 14 million doses of this vaccine, the vast majority went to developing or middle-income countries.

In addition to tiered pricing, we are looking for innovative ways to increase access to vaccines in poorer countries. One option being explored for *Cervarix*, our cervical cancer vaccine, is to partner with a major international non-governmental organisation. Through this partnership we will be able to use this organisation's distribution networks to increase supply of our vaccine in developing countries where most deaths from cervical cancer occur.

² WHO Fact Sheet

No. 208

Middle-income countries

Middle-income countries (MICs), such as Brazil, China, Thailand and Indonesia, and some low-income countries, such as India, are more economically developed than the world's poorest countries, and often have a large and affluent middle-class. They therefore provide greater commercial opportunities than the world's poorest countries.

However, these countries also have large numbers of people living in extreme poverty and healthcare demands often outstrip available resources. These challenges are made worse by an increasing incidence of chronic diseases, such as asthma and diabetes.

Increasing access to medicines in middle-income countries within a responsible commercial framework is complex. Challenges include:

- Relatively low government healthcare spend in view of their gross domestic product (GDP). This can be as low as one per cent of GDP compared with an average of nine per cent in the EU
- Poor healthcare infrastructure (hospitals, clinics, doctors and nurses)
- A high level of income inequality within countries, which can complicate pricing considerations
- The affordability of medicines and vaccines
- Taxes and mark-ups on medicines and vaccines

- Stigma and discrimination associated with certain diseases
- Use of traditional medicines
- Remote rural populations

Our approach

We recognise that many middle-income countries need assistance. However, we believe a different approach is needed from the one we take in the world's poorest countries.

Our offer to supply medicines at not-for-profit prices and vaccines at highly preferential prices in the world's poorest countries is only sustainable if we can continue to make an adequate return on them in wealthier markets. Many middle-income countries are also growing commercial markets for GSK and represent an important source of future business for our industry. It is forecast that the growing wealth of Brazil, China, India, Indonesia, Mexico, Russia and Turkey means they could account for 20 per cent of the global pharmaceutical market by 2020³. Our response in these markets must therefore balance our commercial objectives with our global commitment to work with governments and other stakeholders to support efforts to deliver our medicines and vaccines to as many people as possible who need them.

³ Pharma 2020 Report by PriceWaterhouseCoopers, see www.pwc.com/pharma (accessed at January 2008)

Pricing in middle-income countries

Our approach to pricing in middle-income markets is constantly evolving. It comprises a mixture of long-established practices and consideration of new approaches:

Long established practices

Tiered pricing for vaccines

Our vaccines are available to 18 GAVI-eligible⁴ middle-income countries, including Indonesia, Sri Lanka and Cuba at highly discounted prices. Many of our vaccines are also included in government vaccination programmes in middle-income countries, see [page 39](#).

Preferential pricing for HIV/AIDS and malaria medicines

We negotiate preferential pricing arrangements for HIV/AIDS medicines and anti-malarials with middle-income countries on a case-by-case basis. This is done bilaterally through dialogue with governments. We believe this approach is appropriate since the disease burden and resources available to address the burden vary significantly from country to country and also within countries. These arrangements combine a viable and sustainable commercial return for GSK with improved affordability for the healthcare systems concerned.

Novel approaches to middle-income countries

'Tearing Down the Barriers'

We are also developing a more nuanced approach to accessing private and public sector markets in middle-income countries.

Our '*Tearing down the Barriers*' strategy focuses on the different socio-economic groups within individual MICs. It uses the standard classifications for socio-economic groups; the A group being the wealthiest section of society and E being the poorest. Typically, a company such as GSK makes a disproportionate share of its sales to people in the A/B group with sales tailing off quite sharply in the C/D group. Usually we will be unable to compete with low-cost generic medicines for sales to the E group.

We believe the most productive way for us to align our commercial and accessibility goals is to make our products more readily available to the C/D segment of the market. This will free up more government funding for the poorest segment of the population. Our '*Tearing Down the Barriers*' strategy is designed to test this theory.

It comprises various pilot projects, including:

- Tiered pricing models within as well as between countries, including those which enable products to be priced differently for the private and public health sectors
- Gauging the relationship between price and volume for selected products in targeted MICs. For example we may be able to reduce the price of products where we have orders for a sufficiently high volume of products
- Differential branding strategies whereby two versions of a particular product will be developed for the same market and priced differently for the private or public sector
- Local sourcing and manufacturing arrangements designed to address cost issues

It is too early to draw definitive conclusions from these pilot projects. Not every programme will be suitable for every middle-income country. However, we are confident that the more successful elements of '*Tearing Down the Barriers*' will be incorporated into our long-term commercial strategy.

Partnerships and voluntary licensing

We continue to consider the role of voluntary licensing (VL) in helping to increase access to medicines without undermining our commercial business.

While most of our VLs to date have been to supply ARVs to countries in sub-Saharan Africa, we recently signed a VL with Simcere, a Chinese manufacturer, granting it the right to manufacture products containing zanamivir (*Relenza*) in China, and to sell them in China, Indonesia, Thailand, Vietnam and all 50 Least Developed Countries. *Relenza* is an anti-viral which can help treat influenza. This decision to grant a VL was driven by a specific concern to ensure sufficient supplies of the treatment in the event of a global flu pandemic.

Intellectual property rights

Strong intellectual property (IP) protection is needed to incentivise the high risk and high cost of developing new pharmaceuticals. It creates the conditions under which industry can generate the returns needed to fund R&D, including R&D into diseases that directly and disproportionately affect the developing world. Continued research is much needed – for example, neither a cure nor a vaccine for HIV/AIDS yet exists.

The international framework for IP protection, TRIPS, encourages greater local enterprise and partnerships. GSK enters into a number of different types of collaborations through which we share our technology with local partners. For example, we have a drug discovery and clinical development collaboration covering a wide range of therapeutic areas with Ranbaxy in India.

We acknowledge the public health flexibilities contained in the TRIPS agreement, such as the ability of governments to issue compulsory licences. However, in our view these flexibilities are designed to provide exceptions to the rules; they should not become the rule.

We were disappointed by the actions of some middle-income countries during 2007 in regard to compulsory licensing, most notably Thailand. We appreciate the challenges and financial constraints facing the Thai Ministry of Public Health. However, we believe the best way to address these issues is to engage with the pharmaceutical industry to improve access through price negotiations and appropriate community partnership programmes.

GSK and others in the industry remain in dialogue with the Indian government about the evolution of IP rights. We welcomed the 2005 amendment to the Patent Act which introduced product patents, despite a number of reservations which continue to cause uncertainty and restrict IP protection. These concerns include restrictions on patenting certain types of inventions (for example new uses) and the lack of provisions on Regulatory Data Protection.

⁴ The Global Alliance for Vaccines and Immunisation (GAVI) is an organisation that aligns public and private resources in a global effort to create greater access to the benefits of immunisation. It targets 72 countries.

Some stakeholders equate IP rights with higher prices and inhibited access. However, we believe that IP rights can help drive innovation and investment in India's life-sciences industries, to the benefit of patients in India and beyond, as well as to India's strengthening economy.

Our performance

These are some of the ways we supported access to medicines in middle-income countries during 2007:

Brazil

GSK has a long standing partnership with the Brazilian vaccine manufacturer Fiocruz. This includes technical collaboration and technology transfer. The agreement is an important part of our approach to access in middle-income countries, thus enabling large volumes of vaccines to be produced for the populations of these countries. It covers our oral polio vaccine, Haemophilus influenzae type b (Hib) vaccine and measles, and mumps and rubella vaccine. In 2007, we extended the partnership with a new technology transfer agreement for our rotavirus vaccine, *Rotarix*, for supply to Brazil and other developing countries. See [page 39](#).

Russia

In 2006 we announced an agreement to supply ARVs to the Russian government at discounted prices. This is the first direct, federal purchase of anti-retroviral medicines in Russia within the framework of the national project 'Health'. During 2007 GSK supplied over 266,000 30-day treatment packs to the Russian government of its HIV medicines, compared with 90,000 in 2006. This agreement contributed to the Russian government achieving its target of reaching 15,000 patients by the end of 2006. In 2007 the target was doubled to 30,000 patients. Russian officials estimate that 27,000 patients were treated with ARVs by the end of November 2007.

Ukraine

Our *Orange Card* in the Ukraine gives all asthma and chronic obstructive pulmonary disease patients who are under 25 or over 50, an average discount of 19 per cent on the most popular presentations of GSK's *Seretide* asthma medicine. Asthma patients of any age who suffer disabilities or who are affected by the Chernobyl nuclear disaster are also eligible. Eligibility is assessed by the patient's doctor and patients can receive the medicine at participating pharmacies. A hotline number helps patients find their nearest pharmacy. In 2007, the *Orange Card* enabled approximately 3,000 patients to receive discounts totalling \$124,000 (£62,000).

Oxfam report on access to medicines

In November 2007 Oxfam launched its briefing paper 'Investing for life: meeting poor people's needs for access to medicines through responsible business practices'. The report assesses the contribution pharmaceutical companies have made to increasing access to medicines since 2002 and explores future challenges for the industry. GSK was one of several companies to contribute to the report through meetings with Oxfam and provision of written material. We were the only pharmaceutical company on the panel of speakers at the launch event for the paper in London.

Report findings

Oxfam believes that there are major shortcomings in the pharmaceutical industry's initiatives to increase access to medicines for the poor. Areas particularly criticised were the industry's approach to intellectual property (IP) and pricing. R&D efforts were also highlighted as insufficient.

The Report highlighted emerging markets as major business opportunities for the pharmaceutical industry. It stated that the industry must put affordability and availability of medicines at the heart of its decision-making processes if it is to capitalise on these opportunities. In particular it urged companies to adopt a new business strategy that focuses on R&D into products which are relevant for these markets and to be more flexible on pricing and distribution.

The Report rated pharmaceutical companies in three categories. GSK was rated top or among the leaders in all three categories – pricing, IP and R&D, although the ratings on IP were very low for all companies.

Our view

GSK welcomes constructive discussion of the challenges that face the industry in improving healthcare in the developing world. We engaged with Oxfam on the development of its paper through meetings and e-mail and telephone exchanges. We also provided a case study on our business in India which was not used in the final paper.

We welcome the consultative approach taken by Oxfam and the endorsement of GSK as a leading company. However, we do not feel that the final paper does the consultation process or GSK's contribution justice.

The industry is making an important contribution to improving healthcare in the developing world, and there have been significant improvements in the past five years. We believe this contribution is understated by Oxfam. For example, investment in R&D for developing world diseases is highlighted as a 'major shortcoming' based on the number of products launched up to 2004.

This fails to acknowledge the significant increase in R&D investment by GSK and others in recent years. Although the high risk nature of pharmaceutical R&D investment means we cannot guarantee success, we are committed to finding new vaccines and treatments for diseases disproportionately affecting developing countries.

The Report fails to recognise the complexity involved in improving access to healthcare in the developing world. This is a major challenge which can only be addressed if the barriers are tackled as a shared responsibility by all sectors of global society including governments, international agencies, charities, academic institutions and industry.

The paper raises some interesting points on middle-income countries (MICs). MICs are more economically developed than the world's poorest countries but we acknowledge that they often have healthcare demands that outstrip their available resources. GSK is developing innovative approaches to addressing the challenges of MICs through various pilot projects, including tiered pricing models within as well as between countries; gauging the relationship between price and volume for selected products in targeted MICs; and differential branding strategies in targeted MICs.

The Report overstates the role of IP in access and fails to recognise the importance of IP as an incentive to bio-medical R&D, and the importance of incremental innovation. We do not believe that the IP benchmarks used in the report are realistic or meaningful.

IP rules are not the fundamental barrier to access. India has the most developed generics industry in the world and until recently had no IP protection for pharmaceutical products. Yet access to ARVs in India is arguably no better than in Africa. Of the 325 medicines on the WHO's Essential Medicines List, over 95 per cent are off patent and yet one-third of the world's population has no reliable access to these medicines. Lack of healthcare infrastructure and resources are the key problems; this is where the focus should be, rather than on IP.

We fully accept that it is Oxfam's role to question the status quo, and to challenge us to do more. However, we believe the negative tone of the paper is not conducive to constructive discussion. By ignoring the progress made by industry Oxfam has missed an opportunity to encourage further advances.

You can read the Oxfam paper at www.oxfam.org/en/policy/briefingpapers/bp109_investing_for_life_0711

Developed countries

Access to medicines is not only an issue for the developing world. Even in developed countries some patients cannot afford the medicines they need. This is a particular problem in the US where many people do not have health insurance.

Our approach

Programmes in the US

GSK has developed Patient Assistance Programs (PAPs) and a discount savings card in the US to help patients without insurance. PAPs provide prescription medicines to uninsured patients free or at minimal cost. GSK operates several programmes, including *Commitment to Access* which covers cancer treatments and *Bridges to Access* which covers other medicines for outpatients. Patients are registered through one phone call from a patient advocate and receive medicine at their local pharmacy or by mail order.

GSK Access provides extra help for low-income senior and disabled patients enrolled in Medicare Part D. This programme provides free medicines for eligible patients who have spent \$600 on prescription medicines during the current year, and whose income is between 135 – 250 per cent of the Federal Poverty Level. See www.gsk-access.com for more information.

GSK and nine other pharmaceutical companies operate a discount savings programme, *Together Rx Access*, to improve access to medicines for uninsured Americans who are not eligible for Medicare drug benefits.

We are also working with governments and employers in the US to find new ways to address the problem of chronic diseases while reducing healthcare costs. See case study on [page 29](#).

Discount cards in upper middle-income countries

GSK has introduced discount cards in Bulgaria and Lithuania to enable low-income patients with chronic diseases such as asthma to obtain prescription medicines at a discount price.

A similar programme exists in the Ukraine, see Middle-income countries [page 43](#).

Our performance

Programmes in the US

In 2007, more than 484,000 patients received GSK medicines worth almost \$388 million through our US programmes, compared with \$370 million in 2006. The value of the medicines is calculated using the wholesale acquisition cost (WAC). The number of patients using our patient assistance programmes increased 17 per cent compared with 2006 with the implementation of our new programme GSK Access.

The *Together Rx Access* discount card provides savings of 25-40 per cent on more than 300 medicines. Approximately 37 million people, around 80 per cent of the people in the US without prescription insurance, are eligible to enroll. The participating companies enrolled 494,133 patients in 2007, and 1.3 million since the programme began. This year patients received 1.9 million 30-day prescriptions saving \$26.1 million (based on WAC). Of these, GSK provided discounts of \$2.1 million to 15,600 unique patients through 56,499 30-day prescriptions.

Orange Cards in upper middle-income countries

In Lithuania, our *Orange Card* gives senior citizens and the disabled an average discount of 40 per cent on the patient co-payment on all GSK prescription medicines. So far more than 40,000 patients have applied for an *Orange Card* and over 365 pharmacies (23 per cent of the pharmacies in Lithuania) are registered to participate.

In Bulgaria, due to changes in the reimbursement system, many patients with chronic diseases could no longer access state assistance for their prescribed medicine and the *Orange Card* remained the only solution for them. GSK's *Orange Card* provides direct benefits (in the form of subsidy) to 37,000 patients suffering from asthma, diabetes and benign prostate hyperplasia. The 2007 GSK investment in the *Orange Card* in Bulgaria was €5.7million (£4.1 million).

Summary of GSK discount programmes in developed and middle-income countries

Country	GSK programme	Number of patients who received prescriptions	Value of benefit to patients
US	Patient Assistance Programs – Free or minimal cost medicines for low-income, uninsured patients	484,357	\$387.9 million (£193.9 million)
US	<i>Together Rx Access</i> – Discount savings for all low-income uninsured patients. Joint industry programme	15,607	\$2.1 million (£1.1 million)
Bulgaria	<i>Orange Card</i> – Discounts for low-income patients with chronic diseases	37,000	€5.7 million (£4.1 million)
Lithuania	<i>Orange Card</i> – Discounts for senior citizens and disabled people	41,790	£312,000
Ukraine	<i>Orange Card</i> – Discounts on asthma and COPD medicine for patients under 25 or over 50	3,000	\$124,000 (£62,000)

How we decide the price of our medicines

Prices for newly approved medicines are determined on a country-by-country basis. In some countries, prices are negotiated directly with governments or other payers, for example sickness funds and private health insurers. In others, manufacturers are free to set their own prices subject to other kinds of government controls.

Pharmaceutical R&D is a lengthy and expensive process. It typically takes 12-15 years and costs more than £500 million for each new treatment. For every product that reaches the market thousands more do not make it through the research process.

We seek to ensure that the price of our new products reflects:

- Their clinical value to patients in terms of improved therapy, better safety and fewer side effects
- The high risks associated with R&D
- The need for a fair return on investment
- Affordability for our customers

Ultimately, national price regulation will often amount to a balancing act between managing public healthcare budgets, enabling patient access and rewarding innovation and R&D investment.

We sell our medicines to wholesalers and pharmacies, not directly to patients. These intermediaries often add their own price mark-ups to pharmaceutical products, and in addition duties and tariffs may be imposed on imported products. This affects the price paid by the end customer, for example national health services, hospitals and patients.

The future

Increasing access to medicines is a global challenge. While encouraging progress has been made in some areas, significant problems remain and new issues are likely to emerge. For example:

- The continued need for a significant scale-up of treatment for HIV/AIDS in sub-Saharan Africa, in resource poor settings
- A potential global flu pandemic
- The healthcare needs of poor people in middle-income countries
- The growing impact of non-communicable diseases such as diabetes, in poor and rich countries
- The death of 2.5 million children each year from vaccine preventable diseases.

GSK is committed to playing its part in addressing these challenges. We will continue to collaborate with our industry colleagues, partners and stakeholders to find innovative solutions that increase access without undermining the long-term sustainability of our business.

For example, we are working with the main industry associations on new initiatives to increase R&D and improve access. The first outcome of this activity was the announcement in January 2008 of a grant of US\$1m by the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) to the Special Programme for Research & Training in Tropical Diseases (TDR), co-sponsored by UNICEF, UNDP, the World Bank and WHO. The grant will support TDR's development of new medicines to combat diseases that disproportionately affect poor people living in developing countries.

Other activities include plans for an industry consortium to focus on developing new targets (molecules that can prevent or interrupt disease progression) against diseases of the developing world, and the creation of a Global Funders Forum to help finance increased R&D in this area.

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.

A holistic approach at local, national, and international levels is needed if a flu pandemic is to be prevented. Education, prevention and effective treatment are all important. We are supporting preparations for a pandemic by researching new influenza vaccines and making these available through donations and tiered pricing.

We have been developing vaccines against pandemic influenza since 2000. Our new pre-pandemic H5N1 vaccine received a positive opinion from Europe's Committee for Medicinal Products for Human Use in February 2008. This vaccine is made using a method that enables immune responses to be obtained using a smaller dose, allowing protection of a greater number of people with the same amount of antigen.

In 2007 we announced our intention to donate 50 million doses of our pre-pandemic H5N1 flu vaccine to the WHO stockpile. In the event of an outbreak these 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 is also available for sale to the WHO stockpile and directly to poorer countries at preferential prices. This is part of our wider commitment to tiered pricing for vaccines (see page xx).

Other opportunities being explored include:

- Advance purchase agreements for countries and supranational organisations to reserve pandemic flu vaccines at preferential prices
- Partnerships with developing countries to provide technical assistance to ensure rapid access to vaccines in developing countries in the event of a pandemic

We have increased our global manufacturing capability for *Relenza*, our anti-viral medicine which can help treat influenza. In the event of an outbreak this will allow us to produce enough doses of the treatment to cope with the huge expected increase in demand. We have set a preferential price for *Relenza* for the Least Developed Countries.

We have also signed a voluntary licence with Simcere, a Chinese manufacturer, granting them the right to manufacture and sell zanamivir (*Relenza*) containing products in China, Indonesia, Thailand, Vietnam and all LDCs. More than half of all human cases of flu caused by the H5N1 virus have occurred in the Asia Pacific region.



Why are so few people with HIV/AIDS receiving treatment in the developing world?

There has been important progress in this area with a decline in deaths caused by AIDS despite an increase in the number of people living with HIV⁵. However, there is much more to do. The core issue is that many people in developing countries do not have access to effective healthcare services and are therefore unable to access medicines. Due to poverty, many clinics and patients are unable to pay for even the cheapest basic generic medicines.

Other factors that play a part are inadequate healthcare resources, lack of clinics and hospitals, poor distribution networks, low numbers of trained healthcare providers, high levels of patient illiteracy, significant stigma and discrimination, and a lack of political will and inadequate prioritisation of health in government budgets. The access issue is complex and multifaceted. Pricing of medicines is important, but we believe there are many other more significant barriers.

Why don't you just donate your AIDS products to the world's poorest?

In common with 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 and one which requires a long-term commitment to treatment. This commitment cannot be assured through donations.

In some limited circumstances donations may be appropriate. For example, we have donated ARVs to support UNICEF Prevention of Mother-to-Child Transmission programmes, and collaborative clinical trials to assess the appropriate use of ARVs in resource poor settings.

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

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

We are focusing our preferential prices on the countries where the need is greatest and resources are most limited. It is widely accepted that in terms of support for improving healthcare services, these are the LDCs (as defined by the UN) and sub-Saharan Africa. We can only continue to supply at a not-for-profit price in these countries if relatively wealthier countries pay more.

Why don't you allow middle-income countries to buy your ARVs from generic manufacturers?

Middle-income countries are more economically developed than the Least Developed Countries and often have a large and affluent middle-class. However, these countries also have large numbers of people living in extreme poverty and healthcare demands often outstrip available resources. We recognise that many middle-income countries need assistance. However, we believe a different approach is needed from the one we take in the world's poorest countries, [see page 41](#).

Our offer to supply products at not-for-profit prices in the world's poorest countries is only sustainable if we can continue to make an adequate return on them in wealthier markets. Many middle-income countries are also growing commercial markets for GSK and represent an important source of future business for our industry. Our response in these markets must therefore be one that balances our commercial objectives with our global commitment to work with governments and other stakeholders to ensure that our medicines and vaccines reach as many as possible of those who need them. In this regard we do not believe that voluntary licensing of ARVs has a role to play in these markets.

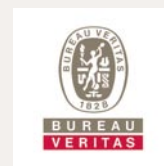
We believe governments in middle-income countries can improve access by increasing investment in disease prevention and healthcare; eliminating taxation and tariffs on medicines; and creating an environment which allows a strong private healthcare sector to co-exist with public healthcare provision. We are working with governments to find creative ways to meet these goals.

Why don't pharmaceutical companies work together to increase access to medicines?

We are working with the main industry associations on new initiatives to increase R&D and improve access, [see page 36](#).

⁵UNAIDS 2007 Epidemic Update

Bureau Veritas' independent assurance statement



Introduction

Access to medicines is one of the most material responsibility issues facing the pharmaceutical sector. It is a complex and challenging area. The sector has faced criticism of its role in addressing these issues and companies have responded in different ways.

Bureau Veritas has been engaged by GSK to provide independent, external assurance of the access to medicines section within this 2007 Corporate Responsibility Report.

This assurance has been conducted in accordance with the AA1000 [Assurance Standard](#) (AS) and considers:

- **Materiality** – does GSK address the material aspects relating to access to medicines, to make informed judgements and decisions?
- **Completeness** – does GSK identify, understand and manage the material aspects relating to access to medicines and report its activities in a complete and balanced manner?
- **Responsiveness** – does GSK respond to stakeholders' concerns, and is this adequately communicated? This includes review of performance indicators.

Methodology in summary

- The scope of work excludes the 'Developed world' section; company position statements (including expressions of opinion, belief or aspiration); and response to FAQs.
- Factual statements and supporting data were assured through interview, document review, data sampling and interrogation of databases and management and reporting systems.
- Interviews with personnel at all levels across the organisation.
- Interviews with a cross section of external stakeholders selected by GSK but interviewed independently
- The aim was to challenge and substantiate the content of the Report and to gain an understanding of governance and management of access to medicines within GSK.
We specifically asked external stakeholders their views on GSK's role in access to medicines and the strengths and weakness of its approach; and whether they feel they are listened and responded to by GSK.

Bureau Veritas Opinion

Accuracy of reporting and alignment with AA1000AS

- The information provided within the access to medicines section is accurate and reliable.
- Information is provided on issues of **material** importance to the organisation and its stakeholders. GSK has achieved a good level of **completeness**, with disclosure of performance on a range of issues. GSK's reporting on its approach to middle-income countries is particularly detailed.
- GSK has good systems in place to engage with and **respond** to stakeholders and has conducted specific dialogue on [access to medicines](#). The issues raised are fed back internally to action as appropriate, although this is not tracked as part of a formalised process.
- **Feedback from stakeholders** indicates that GSK is performing well in relation to vaccines; differential pricing; PPPs; R&D; and the Accelerating Access Initiative which illustrates a partnership approach to healthcare and provides information on direct impacts.

Bureau Veritas' independent assurance statement

Challenges

Bureau Veritas has summarised its opinion into the following four challenge areas. Further detailed recommendations have been provided in an internal Management Letter to GSK.

1. **Vision** – Bureau Veritas recognises GSK's strength and sector leadership on access to medicines. GSK could further enhance and communicate its overall vision and strategy in this area. This should demonstrate a holistic, long-term approach; articulate the business case; provide context and explain how it is integrated into its overall business strategy;
2. **Governance** – GSK should provide greater detail on the governance, accountability and management structures for access to medicines and the relationship with external stakeholders;
3. **Transparency** – GSK provides significant information and case studies but should also consider how to provide greater transparency on the impacts of its access to medicines initiatives and how to put these into context in relation to its overall operating model;
4. **Measuring performance** – linked to transparency, GSK should consider how to provide relevant indicators that demonstrate the implementation of a long-term strategy and promote comparisons across the industry.

Statement of Bureau Veritas independence and competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 170 years history in providing independent assurance services, and an annual turnover in 2006 of €1.8 billion.

Our assurance team does not have any involvement in other projects with GSK and therefore there is no conflict of interest. This is in line with the Bureau Veritas Code of Ethics.



London, January 2008.

Links

In this report:

- Our public health initiatives in developing countries: [Community investment](#)
- Stakeholder engagement on access to medicines
- Pricing of our medicines

In the background section of our website:

- Eligibility for our not-for-profit prices [<http://www.gsk.com/responsibility/values-policies.htm>]
- Our regularly updated briefing paper of [access to medicines at GSK](#)
- Feedback from our [stakeholder engagement](#) sessions on access

Other resources:

- The Oxfam report on access to medicines [http://www.oxfam.org/en/files/bp109_investing_for_life_0711.pdf/download]
- Médecins Sans Frontières pricing report [<http://www.accessmed-msf.org/resources/key-publications/>]

Research practices

The research and development of new medicines and vaccines makes a significant contribution to society through the prevention and treatment of disease. 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.

Headlines

- Developed non-animal techniques to test batches of our new cervical cancer vaccine
- Improving our internal monitoring process for payments made to healthcare professionals
- Conducted 203 audits of GSK-sponsored clinical trials
- Initiated a project to improve the usability of our Clinical Trial Register which now includes results for 3,089 GSK clinical trials
- Entered into a new patient safety collaboration in partnership with companies, academic institutions and the US government

All R&D must be conducted to high ethical and scientific standards. 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. We take these responsibilities extremely seriously. High ethical standards are also essential for us to obtain regulatory approval for new medicines and for patients and doctors to put their trust in our research programmes and products.

We recognise that biomedical and pharmaceutical research raises ethical concerns such as the use of new technologies, animal research and the conduct of clinical trials.

This section explains how we address these concerns during the discovery and development of medicines and vaccines. It covers:

- New technologies
- Use of animals in research
- Accountabilities and responsibilities for medical governance
- Conduct of clinical trials
- Clinical trial transparency
- Monitoring the safety of our medicines

For more on our R&D pipeline and the contribution our products make to health, see [page 24](#).

Advocacy and engagement

We regularly engage with policy makers and other stakeholders on issues relating to research practices.

GSK was the first pharmaceutical company to launch an online clinical trial results register and we believe GSK has posted more clinical trial result summaries than any other clinical trial sponsor. As a result we are regularly invited to take part in policy discussions on clinical trial registries by the WHO and other organisations. In 2007 we participated in discussions in the US on appropriate elements of a national registration system. We advocated the need for transparency while not inadvertently misleading patients and healthcare professionals or disclosing proprietary information. These discussions have informed new legislation in the US.

GSK is engaged in [The European Partnership for Alternatives to Animal Testing \(EPAA\)](#) with the European Commission and companies from seven industry sectors across Europe. The aim of the EPAA is to replace, reduce and refine the use of animals in the safety assessment of medicines, chemicals and products. This partnership has led to constructive dialogue with regulators responsible for human safety. Issues addressed include the impact of the European REACH Directive on animal use, and vaccine batch safety testing, one of the major drivers of animal use at GSK.

New technologies

New technologies such as stem cell and genetic research are helping to expand the boundaries of scientific understanding. These technologies hold out hope for new ways to treat serious diseases as well as better ways to evaluate the risks and benefits of the compounds we develop. For example, advances in genetic research are beginning to enable identification of patients who are more likely to experience a side effect from a medicine.

We recognise that new technologies can also give rise to ethical concerns. For example, some stakeholders are concerned about the use of embryonic stem cells in research.

Cloning Technologies

GSK uses cloning technologies to replicate molecules and cells for research. These technologies have provided better ways to evaluate compounds, enabling greater insight into the risks and benefits of potential medicines and helping to create better medicines for patients. This technology is a fundamental component of drug discovery and development.

GSK does not use cloning technologies with the intention of reproducing entire human beings and we do not see a medical or research case for doing so.

Stem cells

Stem cell research makes up a very small part of R&D at GSK. However we recognise the importance of being clear about our approach and the standards we apply to this area of research.

We published our policy on stem cell research in 2007. It sets out the standards we apply when using stem cells, including when using embryonic and foetal stem cells. It is available in the [background section](#) of our website.

Collaborative research

New scientific knowledge and technologies can be applied to the process of drug discovery and development through collaborative research. This collaborative research combines resources, expertise and know-how from several partners. The benefit of this research is often realised by making the results widely available to the research community.

One example is our participation in the US Biomarkers Consortium, a public-private biomedical research partnership managed by the Foundation for the National Institutes of Health.

Biomarkers are characteristics that can be measured and used as an indicator of disease or responses to treatments. They can be used in early research and play an important role in clinical research and practice, for example by enabling scientists and physicians to more quickly and accurately determine the presence or status of disease or the effect of a medicine. This can speed up the research process and enable more effective and timely medical interventions.

The Biomarkers Consortium will harmonise approaches to identifying viable biomarkers. It will help to verify their individual value and formalise their use in research and regulatory approval.

Animal research

Animal research and testing is an essential component of understanding disease and evaluating the safety and effectiveness of new vaccines and medicines.

Safety regulations require us to test all new medicines on animals before they are tested in clinical trials using humans. Most vaccines have to be tested on animals each time a new batch is produced.

Our approach

Ultimately GSK would like to see the important benefits of research being achieved and applied to humans without the need for animals in research. We do not believe this can be achieved in the foreseeable future, therefore GSK remains committed to the 3Rs – reduction, refinement and replacement of animals in research – and to achieving high standards of animal welfare. Our goal is to use animals only when scientifically necessary, use as few as scientifically feasible and to minimise pain and distress.

Animal research at GSK – in summary

GSK has 17 animal research laboratories in Europe, Asia and the US. Some animal research is conducted by external contractors on our behalf, representing around eight per cent of our total animal use. We estimate that animal research accounts for around five per cent of all GSK research expenditure.

Almost all of the animals used by GSK are rodents, mainly rats, and mice. We also use cats, dogs, ferrets, fish, pigs, primates and rabbits.

The 3Rs

Implementing the 3Rs commits us to:

- Replacing animal studies with alternative methods wherever possible
- Reducing the number of animals used in each study
- Refining studies to minimise pain and maximise the information obtained from each animal

We implement the 3Rs by using advanced scientific methods, training, raising awareness, and sharing and encouraging best practice.

Regulation and internal controls

Our animal research laboratories comply with national laws on animal welfare. Regulators carry out regular unannounced inspections of our sites. In addition:

- We aim for our laboratories to achieve independent accreditation by the Association for the Assessment and Accreditation of Laboratory Animal Care International (AAALACi)
- GSK laboratories, and any external laboratories conducting research on our behalf, must follow all legal and regulatory requirements and our core principles of care and welfare for animals. These core principles include a requirement for all proposed research and testing using animals to be considered by an ethical review committee

Communicating our approach

Some people hold strong views on animal research and testing. We believe it is important to explain the need for animal research and testing and to be transparent about what we do.

Our laboratories host visits from schools, colleges, animal welfare organisations and others. We engage regularly with animal welfare organisations and our investors, as well as contributing to the debate in the media.

Protest

We accept the right of lawful protest against animal research as a part of a free society, but condemn the use of violence and intimidation by some who are opposed to animal use. We welcome the shift in the UK away from extremism to debate.

Our performance

In 2007 the absolute number of animals used in our laboratories was 4.6 per cent greater than in 1994. The growth in R&D activity continues to greatly exceed any increase in animal use.

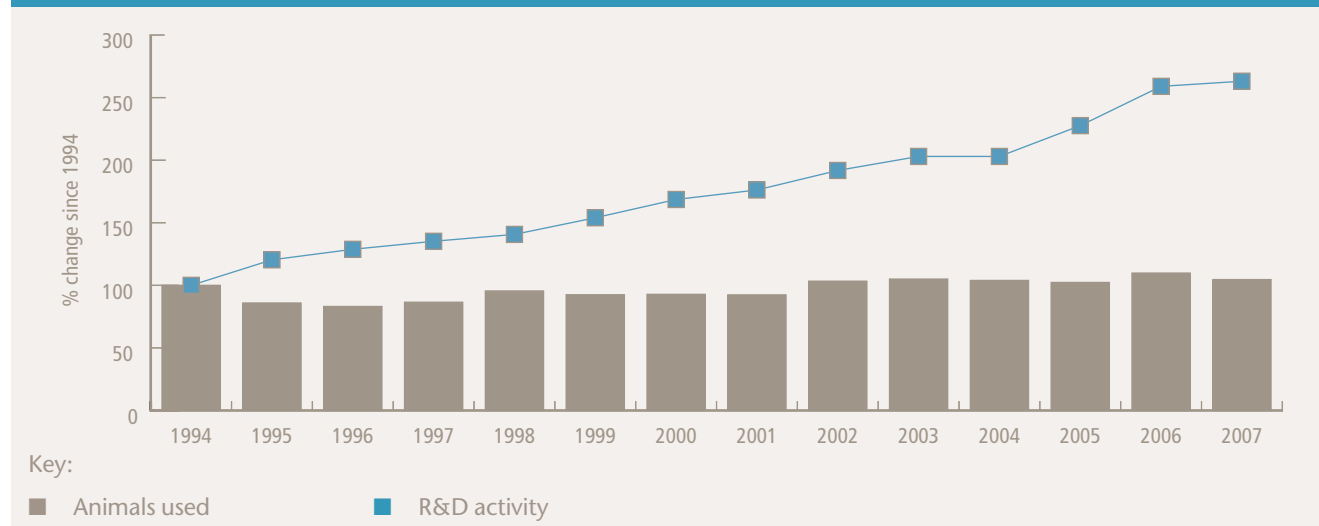
We estimate animal use by our external contractors to account for 7.9 per cent of all animal use for GSK, compared with 3.2 per cent in 2002. This change may represent an increase in animal research on our behalf by external contractors or may reflect improvements in our data collection from our diverse external collaborations¹.

Animals used by GSK in 2007 (per cent)*

Mice	67.1
Rats	25.3
Guinea pigs	6.4
Other rodents	0.2
Rabbits	0.3
Others	0.7

*This does not include animals used by external contractors on our behalf. Of the animals used by external contractors on our behalf in 2007, 88.5 per cent were rodents and rabbits.

Change in R&D activity compared to change in number of animals used in GSK research laboratories*



*These data do not include animal research conducted by external contractors on our behalf. R&D activity combines our R&D budget and our vaccine sales, the two main drivers of animal use.

¹We started separately estimating our external animal use in 2002 and to 2007 have recorded external animal use as representing 3.2%, 4.3%, 6.7%, 6.3%, 8.2% and 7.9% of total animal use. The range of external interactions that may involve GSK, directly or indirectly, in animal use is so diverse, and is reported to regulators by third parties, that we refer to these data as an estimate.

The 3Rs 3Rs projects

Recent GSK advances in replacing, reducing and refining animal use include:

- Continuing to replace non-human primates with mice in polio vaccine batch testing
- Decreasing the number of animals needed for vaccine testing. For example we included an *in vitro* (non-animal) test in the regulatory submission for our new cervical cancer vaccine, *Cervarix*. This means that new batches of *Cervarix* will not need to be tested in animals
- Implementing new technology to collect blood samples in animal studies. This approach, previously used in newborns and genetic screening, enables analysis to be carried out on much smaller blood samples than traditional techniques. This enables quality data to be obtained using fewer animals
- Working with governments to change regulatory requirements so fewer animals are required for routine testing. A proposal to reduce animal testing originating from GSK Biologicals was submitted to the European Vaccine Manufacturing Association and later presented to the European Directorate for the Quality of Medicines in 2007
- Developing *in vitro* alternatives to safety tests which check the potential impact of pharmaceutical process materials on workers' skin and eyes. No animals have been used in the evaluation of dermal or eye irritation for worker safety purposes since 2006
- Donating our collection of information on commonly used blood collection methods to the UK National Centre for the 3Rs' (NC3Rs). This now forms the central part of the NC3R's blood sampling website which is used by laboratory staff to choose the most appropriate technique for the humane and efficient removal of blood.

Training and awareness

We encourage a 3Rs culture at GSK. For example through:

- Regular training for staff involved in the care and use of animals
- Our internal 3Rs website was revised and relaunched in 2007
- A news bulletin on advances in the 3Rs. This was relaunched in 2007 so it is now easily accessible from the 3Rs website and is updated on a rolling basis
- Seminars and 'Recommended Practice' guidelines from our ethical review committees
- Our internal animal Welfare Awards for employees who have made outstanding advances in implementing the 3Rs

Sharing best practice

We encourage research into the 3Rs and share our experiences and best practices. For example:

- We fund the UK NC3Rs prize which recognises the best new techniques for implementing the 3Rs
- Together with industry partners, we are funding a three-year job post at the NC3Rs to encourage sharing of best practice

More information on [how we implement the 3Rs](#) is available in the background of our website.

AAALACi accreditation

Ten of our 17 animal laboratories are accredited by AAALACi. These are located in Belgium, Italy, Spain, the UK and the US. This accreditation now covers approximately 92 per cent of the animals used in GSK-owned laboratories. Accreditation is reassessed every three years. Our aim is to achieve AAALACi accreditation for all our laboratories.

GSK's worldwide standards

It is very important that we apply the same high standards of care and welfare in all the countries in which we operate. We have revised our global animal research standards to ensure they more clearly define our requirements of GSK staff, contractors and collaborators, and that they are applied to all animal research commissioned by GSK. The standards are published on our [website](#).

In 2007, we standardised contractual language on animal care and welfare for inclusion in agreements with our collaborators. We established an ethical review process for all animal studies conducted at our new animal research laboratories in China. The new process was in place before the laboratories opened.

Communicating our approach

In 2007, we made over 23 visits to UK and US schools and hosted ten site visits in the UK.

In the US we host regular Science Literacy teacher workshops on animal research with the Pennsylvania and North Carolina Associations for Biomedical Research. Four workshops were held in 2007.

We produced a DVD entitled 'Animals in Research: Make up your OWN mind' in partnership with the Physiological Society. A copy of this was sent to every secondary school in the UK in 2007.

Medical governance

Medical governance at GSK is the system of principles, policies and accountabilities that ensures we apply generally recognised principles of good medical science, medical integrity, ethics and standards. It applies to all aspects of the development and marketing of medicines, vaccines and medicinal products.

It is important that we have clear accountability and responsibility for medical governance to ensure oversight of clinical research, pharmacovigilance and medical information and promotional practices at GSK.

We further clarified medical governance at GSK this year by providing a framework for medical governance across all our businesses. Our Chief Medical Officer (the most senior physician at GSK) has responsibility and authority for establishing an effective medical governance system. Our Corporate Executive Team members are responsible for the performance of, and compliance with, this system within their areas of responsibility.

Clinical trials

Our approach

Conduct of clinical trials

All GSK clinical trials, wherever they are carried out, are conducted according to the Good Clinical Practice (GCP) guidelines developed by the International Conference on Harmonisation (ICH) and the principles contained in the World Medical Association Declaration of Helsinki on the 'Ethical Principles for Medical Research Involving Human Subjects (2004)'.

The ICH guidelines cover issues such as the selection and training of trial investigators, gaining informed consent from trial participants, monitoring and quality assurance.

Trial protocols (the plan for how a clinical trial will be conducted) are reviewed by government regulatory agencies in the relevant countries when required.

All protocols are also reviewed by an independent ethical review committee of lay people, medical professionals and scientists. They assess whether a trial is justified and whether it is designed and will be conducted according to appropriate ethical standards. Ethics committees have the power to reject or stop a clinical trial.

We have a Global Safety Board (GSB) led by the Chief Medical Officer and composed of senior physicians and scientists. Its role is to:

- Oversee the safety of all investigational and marketed compounds
- Approve the first administration of investigational compounds to humans
- Define the doses and duration of treatments that are considered safe
- Approve the progression of compounds into pivotal trials (these are trials which provide the primary data on which regulatory approval is based)
- Assess any issues related to patient safety that arise during product development or marketing

Safety data are routinely collected throughout development programmes and are reported to regulators in line with applicable regulations. Data are also reviewed by GSK on an ongoing basis for any safety signals (events not necessarily caused by the treatment that require further exploration).

Working with healthcare professionals

Our policies governing interactions between GSK R&D staff and healthcare practitioners require that:

- All clinical trial investigators must be selected solely on their qualifications to conduct clinical research. Their history of using GSK products must not be taken into account when deciding whether to include or exclude them in a particular trial
- Payments to practitioners are governed by contracts and any compensation reflects fair market value for the work performed

- No payments can be offered or made that could influence their judgement on whether to enrol or maintain a participant in a clinical study
- Gifts to healthcare professionals are not permitted

Clinical trials outside Western Europe and North America

Most clinical trials take place in Western Europe and North America but GSK also undertakes trials in regions such as Central and Eastern Europe, South Africa, Latin America and parts of Asia.

We seek to conduct clinical trials where:

- The population is relevant to the scientific question and where the results can be generalised to broader populations
- There are qualified investigators capable of carrying out the research
- There are people who qualify for participation in the research
- The research can be carried out as quickly and efficiently as possible

All GSK-sponsored clinical trials are conducted to the same ethical standards irrespective of the location. In some of the Least Developed Countries additional steps may be needed. For example, matching the objectives of informed consent to local culture may be necessary, for instance by involving local leaders and/or family members.

Our policy states that trials should not be conducted in countries when we know at the outset that there is no intention to register the product being evaluated in those countries.

You can read our position on [clinical trials in the developing world](#) in the background section of our website.

In some circumstances we believe it is appropriate to help build research capacity in these countries, for example through providing GCP training or research-related technical or clinical equipment.

Training for clinical trials

All employees involved in designing, conducting recording and reporting GSK-sponsored clinical research studies are trained in GCP. Training is mandatory and employees must have completed the required training before undertaking these roles.

We keep detailed training records which are routinely requested by regulatory authorities when undertaking an inspection of GSK clinical research studies.

Auditing for clinical trials

GSK's internal audit department audits the conduct of clinical trials. Audits cover GSK systems and processes, as well as external clinical research organisations and investigators performing clinical research on our behalf.

Trials are selected for audit on a risk basis. Risk factors include the complexity of the study, the patient population, the location of the study, previous audit history and any unusual findings during the conduct of the study.

Results are reported quarterly to the R&D Compliance Board, and annually to the Risk Oversight and Compliance Council and the Audit Committee of GSK's Board of Directors. Members of our Global Safety Board (GSB) receive individual audit reports on any safety related findings.

Any concerns or issues identified are fully investigated and appropriate corrective action taken. For GSK staff corrective actions may include development of new training programmes or retraining for the individuals concerned. In more severe cases appropriate disciplinary action will be taken, up to and including dismissal.

For external investigators, GSK may retrain the investigator, or stop working with the investigator, and trial data from noncompliant investigative sites will be excluded from the analysis.

Regulatory authorities also carry out inspections of GSK and investigators used by GSK to conduct clinical studies.

Our performance

Working with healthcare professionals

We are improving our internal monitoring process for payments made to healthcare professionals for services rendered. This will provide increased assurance that staff are complying with our policies outlined above.

Training for clinical trials

In 2007 there were 50, 279 training activities related to GCP. Each 'training activity' represents a successful completion of an e-learning module or instructor-led course related to GCP by one of our employees or contractors.

Auditing for clinical trials

In 2007 we conducted 203 audits. These included:

- 144 audits of investigator sites conducting GSK-sponsored trials. This represents approximately 5 per cent of investigator sites participating in pivotal clinical trials
- 16 audits of internal GSK systems and processes used in managing clinical trials and data
- 29 audits of clinical research organisations carrying out clinical trials on GSK's behalf
- 14 audits of GSK local operating companies involved in clinical research activities

In addition, 26 investigations were conducted in response to suspected irregularities at investigator sites.

Issues identified at investigator sites included insufficient oversight of clinical trial activities by investigators. Oversight covers all areas of investigator responsibility including: knowledge of the protocol design; appropriate and documented delegation of tasks to skilled personnel; and availability to meet sponsor representatives at regular intervals during the study. Additional training for investigators and implementation of further internal controls are helping to reduce the frequency and significance of this issue.

Inspections of investigators, clinical research organisations, independent ethics committees/Institutional Review Boards and sponsors of clinical trials are also carried out by regulatory authorities to ensure the safety of trial participants, the quality of data, and that trials are conducted according to GCP. During 2007 there were more than 51 such inspections of GSK and investigators used by GSK to conduct clinical studies. None of the inspections resulted in any regulatory sanctions, or any findings that would indicate a direct threat to patient safety.

Reporting research results

Pharmaceutical companies are legally required to disclose all relevant data from clinical trials to the appropriate regulatory authorities when seeking approval for a new product. After approval, sponsors have a continuing obligation to provide regulatory authorities with updated safety information from clinical trials, see patient safety below. Safety and efficacy information is provided to doctors through prescribing information which is approved by regulators.

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

Our approach

We make the results of our clinical trials and information about ongoing trials widely available, through three channels:

- We publicly register summary protocol information for all ongoing GSK clinical trials (phase I-IV) worldwide. Currently this information is on the ClinicalTrials.gov website
- Whenever possible, we submit trial results for publication in peer-reviewed scientific and medical journals or in conference abstracts and proceedings
- We publish results and protocol information from GSK-sponsored trials of marketed medicines on our online Clinical Trial Register

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

Our performance

At the end of 2007 there were protocol summaries of all GSK actively recruiting clinical trials on ClinicalTrials.gov, 237 in total.

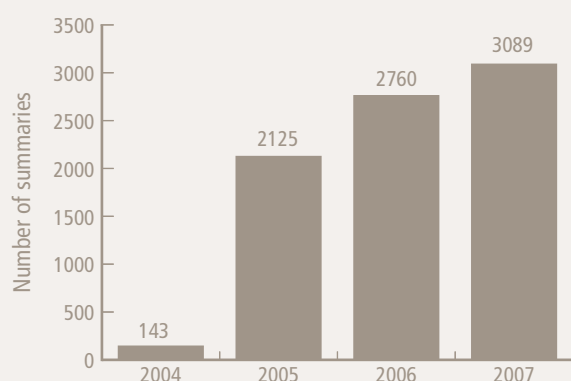
At the end of 2007 there were 3,089 clinical trial summaries on our Register. This includes clinical trials of our major marketed products which have been completed since the formation of GSK in 2000, or that were completed before this and are likely to inform medical judgement.

Our objective is to disclose on our Register the trial results summaries for all new products within 12 months of the product reaching the market. We 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.

- Improving the links between the protocol and results for each trial enabling users to move between the two
- Extending the search function to enable users to search by disease area or for trials relating to a particular medicine

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



Patient safety

Patient safety is critically important for the health and wellbeing of the individuals who take our medicines and is paramount to the success of our business. We take the safety of our medicines and medical devices very seriously.

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.

More detailed information on [patient safety](#) is available in the background section of our website.

Our approach

We strive to ensure patient interest is served through the prompt detection of potential safety issues with our products so that appropriate communication with regulators occurs and, following evaluation, decisions can be made and actions taken.

We are also investing in genetic research to help predict an individual patient's response to a medicine. In the future this will help healthcare providers prescribe safer and more effective medicines, resulting in better health outcomes.

Our monitoring system

We have dedicated teams of scientists and healthcare professionals across the world who monitor, review, evaluate and communicate safety issues. See [Collecting and reporting safety data](#) in the background section of our website for more information.

Product safety is assessed in clinical trials before a product can be approved for marketing. Sometimes adverse events (potential safety issues) occur after approval when a product is being used by large numbers of patients. We have policies and a governance framework in place to help us detect and act on any adverse events. We report potential safety issues to regulatory authorities on a regular basis. See [drug safety governance framework](#) in the background section of our website.

During 2007, 14,000 managers across GSK completed Adverse Event Reporting as part of our 2007 Management Certification process.

In addition, we added an Adverse Event Reporting button to the front page of *myGSK*, our intranet site, to encourage employees to report any adverse event they may learn about.

Adverse events are recorded on our global safety and clinical trial databases and investigated by our clinical and pharmacovigilance teams. This helps us to assess the balance of risks and benefits associated with a particular product. See [benefit-risk management](#) in the background section of our website.

When appropriate, we respond to safety issues by changing product labelling and communicating with doctors. In most cases these actions are sufficient; in a small number of cases we conduct risk minimisation activities, such as further clinical trials, physician or pharmacy education, or even limited distribution programmes, for example for prescription by specialist doctors only. In certain cases it may also be appropriate to stop clinical trials or to withdraw the medicine from the market. See [collecting and reporting safety data](#) in the background section of our website.

Our performance

We have continued to improve our patient safety systems, safety databases and monitoring processes. Examples from 2007 include:

- Hired toxicity specialists and established Clinical Toxicities Strategy Panels to provide expert safety input throughout the drug development process
- Developed a clinical trials signal detection tool for review of completed study data, in partnership with Lincoln Technologies. This will enhance our ability to identify and explore safety signals in GSK clinical trials
- Developed and launched a prototype for our Molecular Clinical Safety Programme (MCSP). MCSP is a tool that seeks to better inform decision-making in drug development by integrating chemistry, pre-clinical and human safety information. It enables us to look for patterns across different types of safety information including chemical structures, pre-clinical data and human safety data.

Working with others

We work with government officials, industry partners and policy-makers in efforts to build an enhanced safety system. For example GSK is working with the European Agency for the Evaluation of Medicinal Products on the European network of Centres of Excellence for Pharmacoepidemiology and Pharmacovigilance project. GSK is a key partner among 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.

Serious Adverse Events Consortium

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
- Using genetic research to identify which patients will benefit most from which medicines

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. This initiative is intended to benefit both GSK and patients. It will include improvements to the informed consent process, a focus on improving the experience of patients in our clinical trials and encouraging patient feedback to help foster a culture of continuous improvement.

Responding to questions about *Avandia*

Avandia is our leading treatment for type 2 diabetes and has been shown to control blood sugar for longer than the most commonly used oral anti-diabetic medicines. Controlling blood sugar is important to help prevent the serious complications of diabetes. In May 2007, the New England Journal of Medicine (NEJM) published a meta-analysis co-authored by Dr Steven Nissen, a cardiologist of the Cleveland Clinic US, which suggested that *Avandia* may be associated with an increased risk of myocardial infarction and death from cardiovascular causes.

The data that contributed to Dr Nissen's meta-analysis were drawn from published literature and GSK's Clinical Trial Register, a web-based repository for clinical data that is available to the public. GSK maintains the register as part of its commitment to public dissemination of scientific information about its marketed products. Prior to Dr Nissen's publication, GSK had posted in the register a summary of its own meta-analysis of 42 double-blind, controlled clinical trials in patients with type-2 diabetes, with findings directionally similar to Dr Nissen's. GSK had also previously submitted its meta-analysis to FDA and other regulators along with the results from both long-term clinical trials and observational studies using large health claims databases which did not show a similar risk.

The New England Journal publication resulted in extensive coverage in the media, and the FDA convened an Advisory Committee meeting in July to review cardiovascular ischaemic/thrombotic risks of the thiazolidinedione drug class, with a focus on *Avandia*. The Committee of experts examined data from multiple sources and concluded that the available data suggested some ischemic risk with *Avandia*, but declined to formally comment on the comparative risk of *Avandia* to other oral anti-diabetic medicines, or in specific sub-populations. The Committee agreed to recommend continued marketing of *Avandia*, with labelling changes addressing the question of cardiovascular ischemic risk.

In November 2007, the FDA approved updated prescribing information for *Avandia*, including new text in the existing boxed warning to add the FDA's conclusion that, while an FDA meta-analysis of generally short-term studies – mostly against placebo – showed an association between *Avandia* and an increase in myocardial ischemic events, that risk was not confirmed or excluded in three long-term clinical trials comparing *Avandia* against both placebo and other oral anti-diabetes medicines. This new text concludes by stating that '[i]n their entirety, the available data on the risk of myocardial ischemia are inconclusive.' Updated prescribing recommendations, and detail about the data underlying the overall conclusion on the question of cardiac ischaemic risk, are now provided in the revised prescribing information for *Avandia*. In its related press release, the FDA stated that 'At this time, (the) FDA has concluded that there isn't enough evidence to indicate that the risks of heart attacks or death are different between *Avandia* and some other oral type 2 diabetes treatments.'

All medicines, *Avandia* included, carry risks as well as benefits. Because type 2 diabetes is chronic, relentlessly progressive and a life-threatening disease, and physicians often need to prescribe two or three medicines to help their patients maintain their blood sugar levels, having an array of treatment options is important. *Avandia* – the most widely studied oral anti-diabetic medicine for the treatment of type 2 diabetes, with over 100 clinical trials and experience in over 52,000 patients – helps to meet that need. GSK believes it is important that *Avandia* is available to support effective treatment of type 2 diabetes.



GSK is opening an R&D facility in China. Will this affect your research standards? Is it a cost reduction exercise?

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.

What is GSK's response to accusations that research results for Seroxat were covered up?

The BBC Panorama programme, 'Secrets of The Drugs Trials' that aired on 29th January 2007 made allegations that GSK acted improperly in regards to Seroxat (known as Paxil in the US).

We utterly reject any suggestion that we have improperly withheld drug trial information. Results from trials of Seroxat were documented and submitted to regulators in accordance with regulatory requirements. Results were also presented publicly, published in scientific journals and are available on GSK's website.

You can read our full response to the BBC Panorama programme on Seroxat on our website. <http://www.gsk.com/ControllerServlet?appId=4&pageId=402&newsId=960>

Why doesn't GSK publish the results of trials that don't result in marketed medicines – surely these could help to advance scientific understanding too?

This is an evolving area and this year we reviewed our policy. Our Clinical Trial Register includes results summaries from GSK-sponsored trials of marketed medicines. In addition, to inform the scientific and medical community of important research we register results summaries of 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.

Links

In this report:

- [About GSK](#)
- [Contribution to health](#)
- [Ethical conduct](#)
- [Public policy](#)

On our website:

- [GSK Code of Conduct](#)
- [Our position on stem cell research](#)
- [Our position on clinical trials in the developing world](#)
- [Our Clinical Trial Register](#)
- [More information on patient safety](#)
- Our response to the [BBC Panorama programme on Seroxat](#)

Other resources:

- The Association for the Assessment and Accreditation of Laboratory Animal Care International
- ClinicalTrials.gov

Ethical conduct

We are committed to creating a strong ethical culture at GSK. We do this by putting the appropriate policies in place, recruiting the right people and equipping them with the tools to make ethical decisions.

Headlines

- Carried out a wide-ranging review of our corporate ethics strategy
- Added questions on ethics and integrity to our recruitment process and GSK Managers Interview Guide
- Began extending our independently managed integrity helpline to all countries where we operate
- Over 14,000 managers completed our self certification process in 2007
- 11,000 sales and marketing staff in our Pharmaceuticals International region received training on our revised 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
- Issued an apology in Australia and New Zealand for inadvertently misleading *Ribena* advertisements

Strong policies, codes of practice and good training are essential elements of our approach. However, on their own they cannot guarantee that our employees will meet our standards. Our internal compliance systems are designed to identify and address breaches of our codes.

There is a strong business case for achieving high standards of ethical conduct:

- Greater stakeholder trust in GSK and our products including among regulators, doctors and patients
- Improved risk management by preventing breaches of our ethics policies which could have serious financial or legal consequences
- Competitive advantage due to better reputation and reduced costs of failures

We completed a thorough review of our compliance and risk management strategy in 2007 and are improving our programmes in a number of areas as a result.

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 (see [research practices](#) page 55) and once a product is approved for marketing.

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. Our policies prohibit kickbacks, bribery or other inducements to doctors, and any promotion for unapproved uses of our medicines.

Our approach

Our Code of Conduct

Our Employee Guide to Business Conduct requires all employees to act with integrity, comply with the law, avoid conflicts of interest and report any violations or unethical behaviour. It provides guidance, including specific examples, on what constitutes unacceptable behaviour.

Read our [Code of Conduct](#), [Employee Guide to Business Conduct](#), and [management certification statement](#) in the background section of our website.

Marketing ethics

We market our medicines to doctors, hospitals and governments. In some countries, such as the US, we also advertise medicines directly to consumers. Our specialist sales representatives meet regularly with doctors and pharmacists to inform them about our medicines and their approved uses.

We believe that sales representatives play an important role in providing up-to-date information to doctors on our products and their benefits to patients. However, we recognise that the marketing of pharmaceutical products raises some challenging issues.

In particular, 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, regular training and monitoring.

Marketing Codes of Practice

Our Pharmaceutical Marketing and Promotional Activity policy applies to all employees and agents. It commits us to promotional practices that are ethical, responsible, principled and patient-centred. It prohibits kickbacks, bribery or other inducements to doctors, and any promotion for unapproved uses of our medicines.

This policy is supported by regional marketing practices codes in Europe, our Pharmaceuticals International region, Japan and the US. These codes apply the same standards but reflect differences in market structures, national healthcare systems and regulations.

A copy of the [GSK European Promotion of Medicines Code of Practice](#) is available in the background section of our website.

Our Marketing Codes of Practice in summary

- **Full and accurate information – information can only be provided on approved uses for a medicine. It must be based on valid scientific evidence, and must be accurate, balanced, fair, objective, unambiguous and up-to-date**
- **Promotional items to healthcare professionals – branded promotional items must be given only occasionally and must be relevant to the practice of medicine. Their nominal value must be no more than \$10 or less than £6 in the UK. Items cannot be given as an inducement to prescribe any of our medicines or to medical professionals retained as consultants to GSK**
- **Appropriate hospitality for meetings – no entertainment is permitted. Hospitality (such as travel costs or food) may only be provided for meetings with an educational purpose. The level of hospitality must be appropriate to the occasion and must only be provided for relevant healthcare professionals, not spouses, children, office personnel or any other guests**
- **Decisions about grants for medical education are reviewed by qualified medical or scientific personnel or, in the US, within our compliance function**

Our relationship with healthcare professionals

As well as our marketing codes we have detailed policies and monitoring systems governing our relationship with healthcare professionals. For example, we have established the following controls and processes in the US:

- Limits on payments to healthcare professionals through speaker and consultancy fees
- GSK funding of grants to patient groups cannot exceed 25 per cent of the group's annual income
- A new Speaker Evaluation Process implemented in 2007 covering healthcare professionals sponsored by GSK. This requires our regional medical scientists to evaluate high frequency speakers, and to provide feedback on their effectiveness and compliance with the GSK Speaker Programmes policy

It is in our interest that the physicians we work with do not receive excessive funding from GSK. This could undermine their objectivity and lessen the time they spend with patients or conducting research, potentially reducing their professional credibility and their value to GSK as sources of current medical expertise.

All GSK employees dealing with healthcare professionals undergo extensive training and monitoring.

Training and awareness

Training and awareness programmes help employees understand the importance of ethical conduct and to apply our policies in practice.

New employees in the UK and the US complete induction training on our Code of Conduct. Our annual management certification programme requires managers to confirm that they comply with our ethics policies. The programme covers over 14,000 managers worldwide. Read our [management certification statement](#) in the background section of our website.

Managers can access three e-Learning modules on ethical leadership.

Specialised training is provided for employees working in R&D, manufacturing and sales and marketing where there are additional regulatory requirements.

Training for employees working in sales and marketing includes:

- Induction training and testing on our marketing code of practice
- Detailed training for sales representatives on the medicines they promote and the diseases they are designed to treat
- Regular refresher courses held at least once a year
- Regular management updates in Europe and the US on the types of unethical conduct detected and disciplinary actions taken

Supporting industry codes of conduct

GSK supports efforts to strengthen marketing standards across the pharmaceutical industry. This benefits us by creating 'a level playing field' in the countries in which we operate and helps to improve the reputation of the pharmaceutical industry as a whole.

For example, in 2007 the Australian Competition & Consumer Commission (ACCC) introduced a new requirement for members of Medicines Australia (MA), an industry association, to fully disclose details of all educational meetings and symposia, including details of hospitality provided.

We fully supported the ACCC's position. We believe that by demonstrating compliance with the MA Code of Conduct we can improve public confidence in our industry and show that our relationships with patient groups and healthcare professionals are conducted according to high standards.

Monitoring and compliance

Our corporate ethics and compliance department promotes effective compliance programmes, addresses compliance issues, and reports problems and progress to senior management and the Board.

We have a dedicated compliance officer in each of our eight business units – R&D, Manufacturing, Biologicals, Pharma Europe, Pharmaceuticals International, Consumer Healthcare, Japan Pharma and US Pharmaceuticals, and additional compliance representatives in some markets.

Compliance officers are senior managers with direct access to the leadership teams of GSK functions. They are a source of expertise for anyone with a question on ethics or GSK policies. Our corporate compliance officer reports directly to the CEO.

Monitoring for sales and marketing

Sales representatives are supervised by their managers who regularly monitor educational events, visits to doctors and expenses. We use a risk-based approach to determine the frequency of our checks on different districts and individual sales representatives.

In the US we monitor the requests for Medical Information letters on off-label topics by sales representatives to check that representatives are not promoting off-label uses for our products. Our internal audit department regularly audits our sales and marketing practices globally.

Reporting channels

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

Reporting channels are promoted through the Employee Guide to Business Conduct, on the GSK intranet and during training.

Addressing misconduct

Our Corporate Ethics and Compliance department monitors and tracks allegations and suspected legal, ethical or policy infractions. It ensures that all such allegations are appropriately investigated. Disciplinary action, up to and including dismissal, is taken where necessary.

Direct-to-consumer advertising

In the US we advertise our prescription medicines to consumers through TV and print advertisements. This is known as direct-to-consumer (DTC) advertising. New Zealand, Bangladesh and Korea also allow limited DTC advertising. DTC advertising of prescription medicines is not permitted in other markets.

Promoting the use of prescription medicines directly to consumers can raise concerns. Critics believe that it encourages people to request unnecessary treatment, adding to the burden on healthcare systems.

We believe that responsible pharmaceutical advertising is a useful source of health information for patients. It helps to increase knowledge of conditions and educates patients about treatment options. In countries such as the US where

DTC advertising is common industry practice, we would be at a competitive disadvantage if we did not promote our products in this way.

Patients must still consult with their physicians about their condition, the appropriateness of a prescription medicine, and obtain his or her consent before receiving such medicines.

Prescription medicines in the US

Our DTC Communications policy is based on the PhRMA Guiding Principles on DTC advertising for prescription medicines.

We have a detailed approval process for DTC advertising, which includes review by legal, regulatory and medical specialists as appropriate. All US marketing employees have received training on our DTC policy.

All DTC television advertisements (including audio and visual components) are submitted to the US Food and Drug Administration (FDA) for review at least 30 days in advance of broadcast.

Members of the public and healthcare professionals can send comments or complaints on DTC advertising to PhRMA's Office of Accountability, which reports the comments and the responses of the companies to the FDA.

The FDA Amendments Act 2007 imposes new restrictions on DTC advertising. It gives the FDA the ability to require submission of DTC television advertisements 45 days prior to dissemination and imposes a new standard on presentation of safety information in broadcast advertisements. Companies responsible for false or misleading DTC advertisements can now be fined up to \$500,000. We are implementing these provisions in our DTC advertising in line with the Act's requirements.

We fund disease awareness campaigns which are designed to increase understanding of a specific disease but are not linked to the promotion of GSK products. These are also governed by our DTC policy.

Our principles for DTC advertising in the US

Our policy states that DTC advertising should:

- Only begin after we have spent an appropriate amount of time educating doctors and healthcare professionals about new medicines
- Be designed to educate consumers about the medicine and the condition for which it is prescribed
- Be accurate and supported by evidence
- Include information on the risks and benefits of treatments
- Provide information on other treatment options (such as diet and lifestyle changes), where these are referenced in the prescribing information for a product
- Only be targeted at an audience at least 80 per cent of whom are adults

Over-the-counter medicines and consumer healthcare products

Our advertising for over-the-counter medicines, oral healthcare and nutritional products is governed by national regulations or codes of practice for advertising. Our over-the-counter medicines are also promoted to pharmacists, doctors and dentists by our sales teams.

We belong to the Consumer Healthcare Products Association in the US and comply with its [Code of Advertising Practices for Non-prescription Medicines](#).

GSK Consumer Healthcare advertising is reviewed by Copy Review Committees (in our larger markets) or medical and legal personnel (in our smaller markets) before publication to ensure it meets our standards.

Advertising to children

Our guidelines for advertising to children prohibit advertising designed to appeal to, or targeted at, children below the legally mandated minimum age. For example, to comply with our guidelines in the UK we do not buy advertising space in children's media and we do not supply vending machines to primary schools.

Sports star sponsorship is important to brands such as *Lucozade Sport*. Our guidelines state that only people who set an appropriate example should be used for sponsorship, and they should have an appeal that is not solely to children below the age of 13.

Our performance

Reviewing our compliance and risk management strategy

During 2007 we carried out a wide-ranging review of our corporate ethics strategy. This included conducting interviews with peer companies, comparing our performance against annual benchmark statistics from the Compliance and Ethics Leadership Council, an industry organisation, and individual discussions on our ethics strategy with GSK senior management.

We found that our internal control framework is fit for its intended purpose and complies with the requirements of the UK's Combined Code on Corporate Governance. We also found our compliance programme to be consistent with the US Federal Sentencing Guidelines and the Office of Inspector General Compliance Program Guidance for Pharmaceutical Manufacturers. We identified a number of areas for improvement. Following the review, our focus will be on further embedding an ethical culture at GSK and ensuring we give employees the tools to make the right decisions.

We are focusing on the following areas:

- 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. This will help ensure we recruit people who share GSK's values
- Management objectives – we will be establishing ethical leadership objectives for the top 1,800 GSK managers. In the longer-term we are looking at ways we can further recognise and reward strong ethical behaviour
- Training – when delivering employee training we plan to include an ethics component and further improve our existing ethics training programmes. We plan to extend ethics and compliance induction training to new employees worldwide. Extra training and guidance will be provided for employees committing minor breaches to prevent them committing serious breaches in future
- Integrity helpline – we will extend our independently managed helpline to all countries where we operate. Employees will be able to call in their native language. An extensive communications campaign will be undertaken in conjunction to raise awareness of the international helpline
- Senior management – we are developing new training and awareness programmes for site directors and general managers who are key representatives of GSK in the countries and locations where they work. This will include individual briefings by the executive team for new appointees on their compliance responsibilities

Progress on meeting our strategy review objectives will be reviewed twice a year by the GSK Board Audit Committee.

Relationships with healthcare professionals

We updated our policies in the US regarding relationships with healthcare professionals. This included launching a new Speaker Evaluation Process to review the effectiveness of frequent speakers and assess their compliance with our speaker policies.

We implemented a new State Reporting System to improve our reporting of expenditure with healthcare professionals, in line with legislation in several US states. The system will allow us to identify and investigate situations where excessive meals and gifts may have been provided by GSK.

In GSK Japan, payments to individual healthcare professionals and medical institutions are also monitored on a quarterly basis to check for any excessive and inappropriate payments.

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. We now monitor both the volume of letters responding to questions and the types of referrals made by our individual representatives, for example the number of referrals relating to a particular product or a particular off-label use.

Training and awareness

Over 14,000 managers completed our self certification process in 2007. Other training and awareness initiatives vary from region to region and included:

- 11,000 sales and marketing staff in our international region received training on our revised Pharmaceuticals International Promotion and Marketing Code
- 831 US field sales managers and 228 marketing staff (the employees responsible for overseeing sales representatives) attended our new Compliance University programme at venues across the US. The programme provided a half day interactive course on key compliance areas. Senior managers and compliance officers also attended to answer questions from attendees, help them to explore potential ethical dilemmas and reinforce the importance of the subjects covered
- Country compliance officers and contacts in Europe received training on topics such as key corporate policies, ethical dilemmas, and records management
- Targeted communication and training for R&D employees who engage with external experts (including healthcare professionals). This included e-learning modules covering use of external experts and payments to healthcare professionals and the provision of gifts
- Launched a coaching excellence programme in GSK Biologicals to help new employees understand and adopt GSK values and develop their skills
- Annual online promotion compliance training for all GSK Japan employees who meet with healthcare professionals

Every two years we conduct a leadership survey of GSK managers. The last survey in 2006 showed that 91 per cent of GSK managers believe 'people in my department show commitment to performance with integrity.' 76 per cent agreed with the statement that 'I can report unethical practices without fear of reprisal', considerably higher than the overall industry benchmark of 68 per cent.

Ethics training in practice

Ethics training helps employees make the right decisions and apply our policies in practice. For example, new employees are encouraged to ask themselves the following questions before making a decision:

- Would I be embarrassed if my friends or family knew what decision I have made?
- How would my decision look to a cynic?
- What could the newspaper headline look like?
- Am I still confident that this is the right decision for GSK?

We also run ethical decision-making training for established employees and leaders. During training employees explore ethical dilemmas they may face in their work and receive guidance to help them understand the appropriate response. This is one example of an ethical dilemma:

Your team has received approval to hire a vendor to help with a business task for which there is no internal GSK support. You have asked for and received proposals from three vendors during the specified 'request for proposals' period. After the initial proposal period is over you find out that a good friend is the sales representative for a business who can handle the job for a competitive price.

- Which sections of GSK's policies will help you to make a decision on how to act in this situation?
- Which option is the correct approach:
 - a. Call your friend and ask him to submit a proposal even though the RFP period is over
 - b. Speak with your manager or your compliance officer before making a decision
 - c. Move forward with the proposals you have collected and make a mental note to ask your manager if you can include your friend in the RFP for the next project

The best solution is to move forward with the proposals you have already collected, answer c.

Monitoring and compliance

We established a new fraud risk assessment tool to help us prevent financial fraud. Our finance leadership team will review all financial fraud cases on an annual basis.

Addressing misconduct

In 2007:

- 1,535 employees were disciplined for policy violations
- Of these, 320 were dismissed or agreed to leave the company voluntarily (known as separations)
- Other disciplinary actions included documented warnings (1,215 instances) and financial penalties
- The 1,535 disciplinary actions included 476 cases of employees breaching sales and marketing codes
- These 476 cases resulted in 59 dismissals or separations from the company. All the other 417 cases resulted in documented warnings

In addition to appropriate discipline, employees staying with the company received retraining and increased monitoring. In some cases retraining is also extended to an employee's colleagues to prevent them making similar mistakes.

The main types of violations this year included:

- Marketing and promotional activities
- Good manufacturing /good distribution practices
- Falsification of documents
- Travel and expenses claims

Direct-to-consumer advertising

We developed a new online direct-to-consumer (DTC) training module and certification programme for new marketing employees in the US.

No problems with GSK US DTC advertising were identified by the FDA.

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, and adding strain to the healthcare system. But even a small amount of weight loss can greatly reduce the risk of developing associated medical problems.

In 2007, GSK launched *alli* (orlistat 60 mg), the first over-the-counter weight-loss product 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, dieticians 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:

'You can't just try alli, you have to commit to it. You have to challenge yourself, work hard, and change what you eat.'

GSK chose the name *alli* (pronounced al-eye as in alliance) to emphasise that the drug must be partnered with exercise and a low-fat diet. *alli* comes with educational materials and tools to help users plan their meals and develop an exercise programme. A special website, www.myalli.com, provides further support, allowing people to set targets and track their weight loss. It includes an 'am I ready for *alli*?' quiz which asks potential users to confirm their commitment to moderating their diet, taking exercise and reading the label carefully. All marketing and support materials emphasise that taking *alli* without switching to a low-fat diet may cause side effects related to how the product works.

alli was launched in June 2007 and there were five million visits to www.myalli.com in the first three months after product launch, with the average visitor spending over eight minutes learning about the brand. Over two million starter packs were purchased by October, helping overweight adults learn how to eat healthier foods and use *alli* to lose 50 per cent more weight than through dieting alone.

We received comments from the PhRMA Office of Accountability relating to GSK DTC print advertisements for six products: *Advair*, *Boniva*, *Avodart*, *Requip*, *Lamictal* and *Vesicare*. In each case GSK provided to the Office of Accountability, and the individual that raised the comment, a strong justification that its advertisement complied with the PhRMA Guiding Principles. No changes were made to the advertisements as a result of the comments received.

Targets and key performance indicators (KPIs)

We have set ourselves the following objectives for 2008 and 2009:

- Refresh and update our ethics induction training for new employees worldwide
- Set ethical leadership objectives for our top managers
- Extend our integrity helpline to cover all countries where we operate using many native languages
- Streamline and improve the administration of our corporate policies and procedures
- Embed ethics and integrity concepts in all applicable business training

The future

Our focus over the coming year and beyond will be implementing the findings from our compliance and risk management strategy review. We will be focusing in particular on the following challenges:

- 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

Apology issued for *Ribena* advertising

It is important that all our advertising and marketing meets the highest ethical standards and is honest and accurate. Unfortunately, sometimes mistakes are made.

GSK issued an apology in Australia and New Zealand after it was found that our advertisements contained information that misled our consumers about the vitamin C content in *Ribena Ready-to-Drink* (RTD) variants in the *Ribena* range of products in those two markets.

Laboratory experiments by two Auckland schoolgirls discovered that *Ribena* RTD did not contain the amounts of vitamin C they anticipated. This led to further testing by regulators in New Zealand and the discovery that the RTD products did not contain the minimum stated levels of vitamin C. Also statements on the cartons that blackcurrants used in the product have 'four times' the vitamin C of oranges implied a high level of vitamin C in the drink. As a consequence GSK was prosecuted in New Zealand and fined NZ\$227,500 (£84,000) for inadvertently misleading consumers.

We investigated our production methods and found a fault in the process designed to test the vitamin C content. We also updated the on-pack information for RTD products to remove all references to vitamin C levels until the problem was remedied. We also stopped using the 'four times' statement.

Following the publicity and court decisions about this misrepresentation, sales of our *Ribena* drinks in New Zealand fell by 12 per cent. We ran an advertising campaign, featuring the heads of GSK Consumer Healthcare in Australia and New Zealand, apologising for inadvertently misleading consumers. We are working hard to regain trust in our brand, and sales are returning to earlier levels.

We have also tested the vitamin C levels in *Ribena* products in all other markets. This testing has confirmed that they contain the stated levels of vitamin C described on product labels.



A lot of GSK employees were dismissed for unethical conduct. Are your policies working?

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.

Is GSK unduly influencing doctors?

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.

How do you prevent off-label promotion?

All GSK employees dealing with healthcare professionals undergo extensive training and monitoring. They are instructed that only full and accurate information may be provided on approved uses for a medicine. It must be based on valid scientific evidence, and must be accurate, balanced, fair, objective, unambiguous and up-to-date.

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. We now monitor both the volume of letters responding to questions and the types of referrals made by our individual representatives, for example the number of referrals relating to a particular product or a particular off-label use.

Additionally, our internal audit department regularly audits our sales and marketing practices globally.

Links

In this report:

- [Research practices](#)
- [Supply chain](#)

In the background section of our website:

- [GSK Code of Conduct](#)
- [Employee Guide to Business Conduct](#)
- [Management certification statement](#)
- [Our European Promotion of Medicines Code of Practice](#)

Other resources:

- US Consumer Healthcare Products Association www.chpa-info.org
- UK Advertising Standards Authority www.asa.org.uk
- Information on alli www.myalli.com

Supply chain

We want to source from companies that maintain high labour and environmental standards. Inadequate environment, health and safety (EHS) and human rights standards are an indicator of poor management. This can impact on quality, compromise patient safety and impede continuity of supply of essential medicines. Association with poorly performing suppliers could also damage our reputation.

Headlines

Contracts

- Strengthened human rights requirements in supplier contracts

Monitoring

- 55 EHS audits of critical suppliers
- Ten spot checks of promotional goods suppliers

Anti-counterfeiting

- 71 raids conducted
- £15 million worth of counterfeit goods recovered

This section covers:

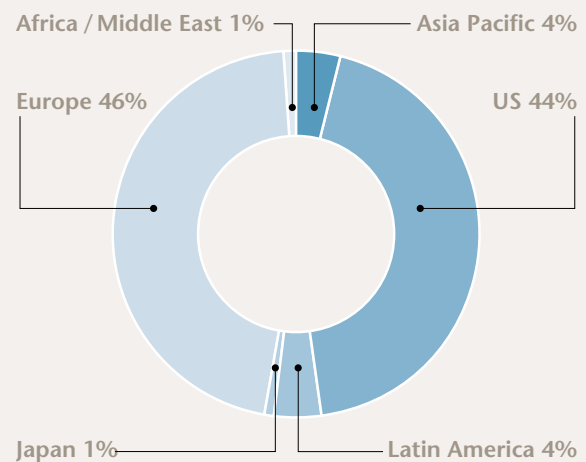
- Environment, health and safety and human rights standards in our supply chain
- Security of supply measures
- Our anti-counterfeiting efforts
- Fair treatment of suppliers

Our supply chain

Number of suppliers: 90,000

Spend: £8.2 billion

Spend by region



We buy goods and services from around 90,000 suppliers. Our supply chain is complex: it ranges from strategic relationships with suppliers that manufacture active pharmaceutical ingredients, intermediates, raw materials and packaging for GSK medicines through to contracts for goods and services such as office equipment, cleaning and security.

Supply chain standards

Our approach

Our approach to ensuring high standards for our global suppliers includes:

- Pre-assessments to determine whether we will work with a potential new supplier
- Inclusion of human rights clauses in all supplier contracts and full EHS requirements in contracts for critical suppliers
- Review of EHS and human rights in routine supplier engagements (for example business performance meetings)
- EHS audits of suppliers
- Regular progress monitoring and additional support

Supplier contracts

Our supplier contracts contain EHS requirements based on our Global EHS Standards, and human rights clauses based on the International Labour Organization conventions and the UN's Universal Declaration of Human Rights. In 2007, we strengthened our supplier selection process so that companies must agree with our human rights requirements before they can be included in the selection process.

Risk-based approach

Our supply chain is large and complex so we use a risk-based approach to target our efforts. We focus on 'critical suppliers' which are mostly based in Europe, North America and Asia and account for approximately 30 per cent of our supplier spend. Critical suppliers include contract manufacturers and suppliers that present the greatest risk to GSK on one or more of the following issues:

- Relevance to the supply of essential medicines
- Threats to continuity of supply and value to GSK
- Regulatory requirements
- Hazards associated with manufacturing processes and materials
- Environmental impacts

We develop long-term relationships with critical suppliers and conduct regular monitoring to support the uninterrupted supply of high quality materials and services to GSK.

Supplier selection

We conduct a detailed assessment of critical suppliers before they are selected. We use questionnaires, onsite reviews and EHS audits to assess their performance on health and safety, environmental and human rights issues.

Critical suppliers must achieve a minimum EHS audit score of 50 per cent against GSK EHS standards before they can supply GSK. In some cases we develop improvement plans with potential suppliers and offer training and technical support to enable the supplier to achieve the required standards.

EHS audits also include questions which help us identify potential breaches of the human rights clauses included in supplier contracts. Suppliers are asked for information on policies and practices relating to:

- Age limits for employees
- Discrimination against employees and the local population
- Prevention of abuse of individuals
- Wages, benefits and working hours (whether they meet the legal minimum)
- Rights for workers to organise and recognition of worker organisations

These questions do not contribute to the EHS audit score, but may be a reason not to progress business with a supplier.

All contract manufacturers must be approved by the applicable regulatory authorities for quality reasons before they can start manufacturing GSK medicines.

Monitoring and engagement

We consider EHS and human rights issues during routine interactions with critical suppliers. These interactions include ongoing supplier reviews as well as follow-up visits by procurement, quality and EHS staff.

We hold global and regional supplier review meetings where senior GSK managers interact with suppliers on key issues. We provide contract manufacturers with information on the EHS risks associated with the GSK materials they are producing or handling and our supplier booklet on working with GSK includes our ethics policies and requirements.

We conduct regular EHS audits of critical suppliers of pharmaceutical and consumer healthcare products. We focus on the 150 higher-risk suppliers.

Supplier facilities are evaluated against our EHS standards and must achieve a score of at least 50 per cent against GSK EHS standards to continue supplying GSK. Suppliers develop improvement plans based on the audit findings and we follow up to monitor progress against these plans.

We will provide feedback to suppliers if we identify any issues through the questions relating to human rights (see above). We will require corrective action if the issues present a potential breach of the human rights clauses included in supplier contracts.

Training for GSK procurement teams

We train key procurement group management to make sure these managers understand our standards and requirements for EHS and human rights.

In 2007 we continued our Effective Contracting training programme for procurement employees. This included an explanation of the importance of human rights clauses in supplier contracts.

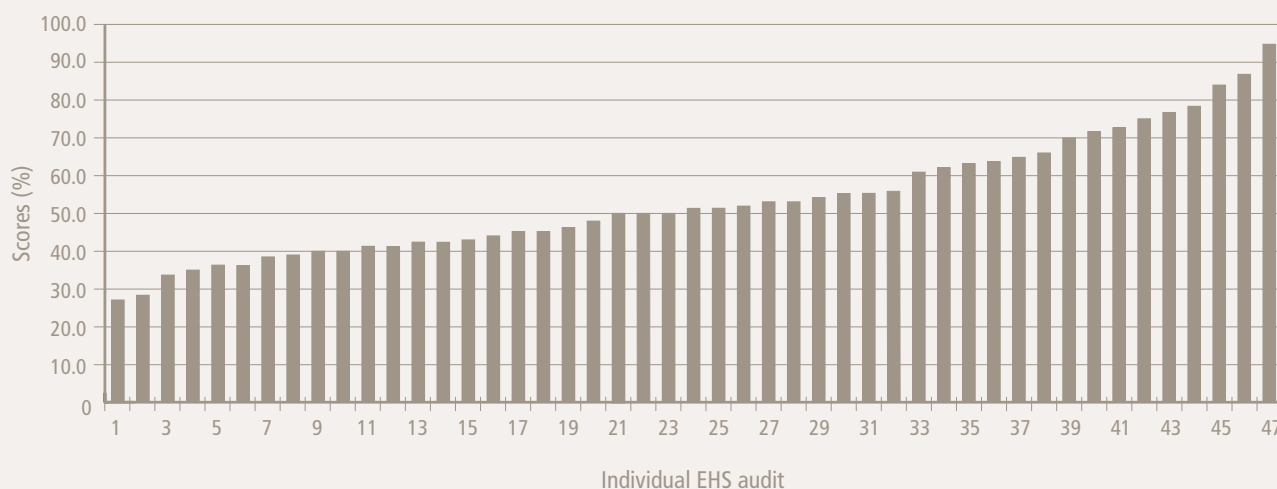
Suppliers of promotional items

Many of our gift items for our Indian business are sourced from within India in an industry with a higher risk of the use of child labour.

We conduct unannounced spot checks for these suppliers, often during the night. These focus on maintaining quality standards but are also used to check that suppliers are not using child labour. The spot checks are conducted by GSK procurement and regional sales staff.

Our performance

EHS audit scores 2007



Number of audits in 2007

	Asia	Americas	Europe
Type of supplier			
Primary (raw materials, intermediates and active pharmaceutical ingredients)	28	3	7
Pharmaceuticals (formulations)	3	7	1
Consumer Healthcare (excipients, actives, raw materials)	6	0	0
Type of engagement			
Audit/review	33	10	7
Technical transfer/other visit	4	0	1
Average audit score	46	68	69

In 2007, we conducted 55 supplier audits/reviews¹. The chart shows the range of audit results – the highest score was 95 per cent and the lowest 27 per cent. The average audit score was 53 and 20 out of 47 suppliers failed to meet the minimum requirement of 50 per cent against GSK EHS standards. Potential new suppliers that scored below the minimum level were either not progressed or work is underway to improve performance to acceptable levels. We work with existing suppliers to ensure necessary improvements are made within an agreed timeframe.

The most significant audit findings in 2007 occurred mainly in emerging economies. These included:

- No infrastructure for fire protection or poor emergency response capabilities
- Absence of fundamental risk controls for process safety

- Poor control of exposure to hazardous substances
- Poor waste management and environmental controls
- Frequent regulatory findings

No significant issues were identified relating to the human rights questions we ask during audits.

Promotional goods suppliers in India

In 2007 we conducted ten unannounced spot checks of promotional goods suppliers in India (at least one visit for each company supplying promotional goods to our Indian business in 2007). These uncovered no evidence of child labour.

During a spot check conducted in 2006, we found one supplier using child labour. We issued corrective actions to this supplier and emphasised that the use of child labour represents a contractual breach and is completely unacceptable. In 2007, a follow-up visit confirmed that this supplier had completed the corrective actions and no longer uses underage workers. In 2007, we also wrote to all our suppliers to raise awareness of our human rights policy.

We currently do not conduct spot checks of promotional goods suppliers in other countries.

EHS performance of contract manufacturers

We are working to assess the EHS impacts of our contract manufacturers. See the [Environment section](#) of this report on page 78 for more information.

¹ Not all reviews are scored

Raising supplier standards in India

In 2003, we assessed a potential new supplier of active pharmaceutical ingredients in India. We conducted initial audits of the supplier's two facilities to assess whether it could supply GSK. The facilities scored 37 and 23 per cent, well below the GSK minimum of 50 per cent. However, rather than simply refusing to work with the supplier we made recommendations and agreed action plans on how the supplier could improve. We provided guidance and training to support them with progressing improvements. We also brought the supplier to our manufacturing facility in Jurong, Singapore, as an example of good practice.

Four years on, the supplier has achieved the minimum required standards to work with GSK. We will continue to monitor and support the supplier to ensure performance continues to improve.

Security of supply

Ensuring a continuous supply of high quality medicines is essential to the patients who depend on our products, as well as to the success of our business. It is vital that security of supply is not compromised at any stage of the distribution chain.

Strategy directors from each therapy area have overall responsibility for security of supply. Divisional heads meet our procurement teams every month to discuss any potential issues.

GMS (our manufacturing business) implements contingency plans for a list of 'medically critical' products. These plans are defined on a product by product basis but may include:

- Holding sufficient stocks of products, where the product has a long shelf life
- Holding sufficient stocks of active pharmaceutical ingredients
- Sourcing products from more than one location (known as 'dual sourcing')

We work with all critical suppliers to encourage them to implement their own contingency plans. In high risk countries we will set up joint ventures to ensure that we maintain control over the distribution chain. We have three global contracts for suppliers that deliver goods between GSK facilities and distribute products to market. We conduct regular high level operational reviews of these suppliers, which include security elements.

Counterfeiting

According to the World Health Organization (WHO), less than one per cent of pharmaceutical products sold in developed countries are counterfeit, but in the developing world this figure may be higher than 10 per cent, and up to 30 per cent in some countries.

Counterfeit drugs come in many variations, and may contain:

- None of the legitimate active ingredient
- The active ingredient in reduced or sub-therapeutic amounts
- A completely different and/or inappropriate active ingredient
- Impurities such as unapproved colourants or micro-organisms
- Packaging that falsifies the product description or expiry date

Most counterfeit drugs are not subject to quality control, hygiene standards, testing of ingredients, monitoring of product specifications or equipment. Counterfeiting is a threat to public health, potentially causing harm to patients and even death.

Our approach

We add anti-counterfeiting features to our product packaging. These include holograms, security seals, complicated background patterns that are difficult to photocopy or scan, as well as a wide variety of covert identifiers which are added using print technologies and sophisticated markers. These help us to identify counterfeits and gather evidence against offenders. Our Packaging Security unit in the UK carries out forensic examinations of all suspected counterfeit GSK product.

Our sales employees world wide also play an important role in helping to discover counterfeit products through continual observation of the local market place. Our Corporate Security department investigates every potential case of counterfeiting and uses internal and external investigators to collect information which we then assess and report to the relevant government authorities to set in motion official law enforcement action.

As well as removing fake products from the market one of our primary aims is to trace the products back to source, to shut down the manufacturers and their partners (for example the packaging printers). We provide training for regulatory authorities, such as the FDA in the US, law enforcement agencies and customs officers in many parts of the world.

GSK works very closely with the wider industry to investigate cases of counterfeiting and we also raise awareness with governments internationally, pressing for stricter laws and more severe penalties. GSK is also a founding member of the Pharmaceutical Security Institute, (PSI), which coordinates the information collection and investigation process within the international pharmaceutical industry. The PSI is influential in helping to shape anti-counterfeiting policy among national governments and international organisations. Together with the PSI, GSK is a major contributor to the WHO's internationally represented anti-counterfeiting working groups.

For many years, GSK has been working with the Chinese Public Security Bureau to help eradicate the trade in counterfeit medicines. During 2007, we supported a major investigation that resulted in the arrest of an organised counterfeiting syndicate in Guangdong and Anhui Provinces, and the closure of an 'underground' factory. A huge quantity of counterfeit *Heptodin* and *Panadol* tablets were seized, along with the products of other multinational companies. The total market value of the seized products amounted to 100,000,000 RMB, (£6,750,000). This market value did not include the vast quantity of raw materials and semi-finished products that were seized. The quality and sanitary conditions at the factory were appalling. Subsequent scientific analysis revealed that the factory had also been producing counterfeit *Zeffix* for international markets.

Ten defendants in this particular investigation have now been convicted of counterfeiting; the two principals were sentenced to seven and a half and five years imprisonment respectively. The remaining eight defendants were sentenced to terms of imprisonment ranging from 16 to 20 months. Fines were also imposed.

The dismantling of this counterfeiting network has had a significant impact on the supply of counterfeit *Heptodin*, *Zeffix* and *Panadol* to the GSK China and International markets.

Criminals also counterfeit our consumer products. For example in 2007, we discovered counterfeit *Sensodyne* toothpaste in the UK that had been manufactured using diethylene glycol, a toxic substance, in place of glycerol. GSK contacted the authorities and media to raise awareness of the issue, and how to identify the fake toothpaste. We traced the counterfeit product back to a factory in China which was shut down by the authorities.

Our performance

In 2007 there were 429 reported cases of counterfeiting of GSK products. These resulted in 71 raids, 127 arrests with £15 million worth of counterfeit products found during raids.

The number of 71 raids includes seven criminal manufacturing facilities and 59 wholesale/distribution outlets. The seven factories represent criminal operations that were capable of mass production of counterfeit medicines and other healthcare products. The raids on these facilities undoubtedly prevented huge amounts of counterfeit product from entering legitimate markets around the world.

Anti-counterfeiting

	Number of reported cases of counterfeit	Number of raids	Number of arrests	Value of counterfeit products found during raids
2007	429	71	127	£15 million
2006	248	57	94	£10 million
2005	334	47	31	£13 million

Fair treatment of suppliers

It is important that we treat our suppliers fairly and pay them promptly. In some regions we conduct surveys to measure supplier satisfaction.

Improving speed of payment in the UK

In 2007, we launched a programme to improve our performance for paying UK suppliers on time. In 2006, we paid around 75 per cent of suppliers on time. The main causes of late payment were: invoices being submitted on paper rather than through the preferred electronic system; invoices without a purchase order (PO) number; invoices submitted after the date on the invoice; and delays in the approval of invoice payment.

We worked with suppliers to encourage them to use the electronic system and to submit invoices on time. We also standardised payment terms for as many suppliers as possible, raised awareness about the use of POs and made the invoice approval process more efficient. This increased the proportion of suppliers paid on time to 83 per cent.

The future

We will continue to work with critical suppliers to help improve their EHS performance. This will include:

- Developing closer relationships with key suppliers through training and engagement
- Conduct business forums for suppliers to raise awareness of our standards
- Identify strategic suppliers to achieve 'Highly Protected Risk' status (high levels of engineering and fire protection standards)



What are you doing to raise standards in your supply chain?

We have long-term relationships with our critical suppliers and we offer them training and support to help them raise standards. Our monitoring process is a key part of raising awareness of our expectations and identifying areas where suppliers need to improve. We work with our suppliers to help them make the necessary changes identified.

Are there human rights risks in your supply chain?

GSK's supply chain is large and complex, and like all similar supply chains, contains a risk of human rights violations. These risks vary considerably based on the type of supplier and the goods or service we are sourcing. Our manufacturing and R&D suppliers employ skilled workers so there is a lower risk of human rights violations. Our EHS audits aim to ensure good working conditions at these supplier facilities. There are considerably higher human rights risks in suppliers that employ low skilled workers, for example promotional goods suppliers. We conduct spot checks of these suppliers in India.

Our supplier selection process aims to ensure we only enter relationships with suppliers that respect human rights. We also include clauses in contracts with all suppliers which specify that upholding human rights is a condition of doing business with GSK.

What are you doing in your supply chain to plan for a flu pandemic?

We have implemented a contingency plan to ensure our operations and the supply of medically critical products are not compromised by a flu pandemic. We are now encouraging our critical suppliers to implement their own contingency plans.

Have the problems of contamination of pharmaceuticals and toothpastes made in China affected any GSK products?

No. When evidence of contamination of non-GSK products is reported in the media we conduct an extensive quality check to ensure no GSK products are affected. We have a rigorous assessment programme to ensure the highest quality is maintained in our products.

Links

In our CR report

- [Human rights](#)
- [Ethical conduct](#)

In the background section of our website

- [Our Global EHS Standards](#)

Our [human rights clauses](#)

Environment

Discovering, developing, manufacturing and selling pharmaceutical and consumer healthcare products uses energy and resources and produces emissions and waste.

Headlines

- **Launched a revised climate change programme which committed us to reducing our energy use from operations and transport and related climate change impact by 20 per cent per unit of sales by 2010 and by 45 per cent by 2015 (from 2006 levels)**
- **We are on track to meet these energy and climate change targets and expect progress to accelerate in 2008**
- **Remained on track for the elimination of CFCs by 2010**
- **Met annual targets for reductions in energy use, water use and wastewater pollution**
- **Did not meet targets for non-hazardous waste disposal or volatile organic compound releases to air but will develop plans to improve performance**

Our most significant environmental impacts are:

- Our climate change impact from operational energy use and propellants released from our inhaler products
- Release of pharmaceuticals into the environment after use by patients
- Raw material and water use
- Disposal of waste
- Emissions of volatile organic compounds during manufacturing

We strive to reduce the environmental impacts of our operations and products. After many years of managing emissions we are now working towards our long-term goal of environmental sustainability, designing more efficient processes that use fewer types and quantities of materials that are less hazardous and produce less waste. As well as benefiting the environment, this approach encourages innovation, helps reduce costs and improves relationships with our stakeholders.

We concentrate our reporting on the environmental issues that are most relevant to GSK and of most interest to our stakeholders. These are:

- Issues with a potential financial benefit or impact for GSK such as materials efficiency and energy efficiency
- Issues directly related to the use of chemicals such as volatile organic compounds, wastewater and hazardous waste

We have set company-wide targets to reduce these impacts (see [page 84](#) and [page 92](#)).

Environmental management

Our approach

Our EHS vision

To achieve sustainable competitive business advantage and environmental sustainability through leadership and excellence.

Overall responsibility for environmental issues rests with the Corporate Executive Team and the Board. The Chief Executive Officer represents EHS on the Board. The Board Chairman is the champion for GSK's climate change programme. The General Counsel has operational management responsibility for EHS on the Corporate Executive Team. The Vice President, Corporate Environment, Health and Safety reports to the General Counsel and has operational responsibility for EHS. The activities of the Corporate Environment, Health and Safety department are overseen by the Risk Oversight and Compliance Council, the Corporate Executive Team and the Audit and Corporate Responsibility Committees of the Board.

See the [background pages of our website](#) for more information.

Management system

We manage our environmental impacts through our integrated Environment, Health and Safety (EHS) management system. This covers risk identification, standards, training, target setting and audits. Our EHS system is aligned with the international standards ISO 14001 and OHSAS 18001.

See the [background pages of our website](#) for more information.

Policies

Our EHS Policy sets out the broad principles we expect our operations to meet. We have also established 64 Global EHS Standards which outline specific requirements for the company worldwide. We provide sites with an EHS management toolkit which contains detailed guidance to help them comply with the standards.

Read our [EHS policy](#) in the background pages of our website.

Stakeholder engagement

We engage with stakeholders at corporate and local level to inform our approach to managing EHS and to help identify emerging issues. This includes *ad hoc* meetings and formalised feedback from our stakeholder panel in the UK (created in 2005) and an EHS stakeholder workshop held in the US for the first time in 2007. We engage with regulators to help them develop controls that protect the environment while safeguarding the development and launch of new medicines. Read more about how we engage with stakeholders and the feedback we received in 2007 in the Stakeholder engagement section of this report, [page 11](#).

Strategy

Our EHS Plan for Excellence sets out our ten-year strategy to improve EHS performance up to 2015. The Plan is reviewed every five years and new targets are set. It is designed to support GSK's business strategies and contains three aspirations:

- EHS fundamentals embedded in the business – to produce and sustain high EHS performance we need to combine structured EHS systems with the attitudes and values that create a positive EHS culture. To achieve this we need to embed EHS awareness and systems in all GSK activities.
- Environmental sustainability – to embrace environmental sustainability as a driver for competitive advantage we need to define the principles of environmental sustainability and progressively integrate them into the business, translating them into practical action.
- Open and transparent EHS external relations – external stakeholders who have a legitimate interest in the company's EHS affairs should have ready access to relevant information and the opportunity for dialogue about issues that concern them. Building open relationships and partnerships can lead to business opportunities, while failure to engage may damage our reputation.

Each of these aspirations is supported by strategic objectives with performance targets in key areas.

Read more about our [EHS Plan for Excellence](#) in the background pages of our website. We use annual action plans based around a specific theme which focus our efforts on priority issues. The theme for 2007 was 'EHS Stewardship'. This means integrating environmental performance into manufacturing and business processes while also building environmental and safety considerations into decision making.

Further information about [our annual action plan](#) is available in the Environment, Health and Safety background section of our website.

Training and awareness

We provide training and awareness programmes to inform employees about risks, to create a culture where environment, health and safety thinking is an integral part of doing business, and to help employees understand the EHS issues specific to their jobs. For example employees handling chemicals need to understand the properties, hazards and necessary precautions associated with those substances.

EHS training is included in induction training for many new employees with EHS responsibilities, with regular training in areas specific to employees' job duties. Regional groups get together to discuss topical issues and to share good practices.

People who are responsible for EHS programmes are encouraged to attend relevant seminars and anyone who deals with EHS issues or programmes receives job training. Some EHS training is also available through *myLearning*, GSK's online training service. Most EHS training is managed at site level and is allocated according to job roles.

For more information see [EHS Communication](#) in the background pages of our website.

Audits and compliance

We regularly audit our operations, contract manufacturers and key suppliers to assess compliance with legislation and implementation of our EHS standards. Audits also assess whether appropriate management systems are in place to improve performance and maintain compliance. Our internal auditors are certified as lead auditors against the ISO 14001 and OHSAS 18001 standards.

We use a risk-based approach to determine the frequency of audits and to focus assessments on the most significant environmental risks. All GSK manufacturing and R&D sites are audited at least once every four years. Sites are also expected to conduct routine self-audits of their EHS programmes. We require sites to develop plans to address any weaknesses identified by audits and monitor progress with implementation of these plans.

In 2006, we began a four-year programme to certify all GSK manufacturing sites to the international environmental standard ISO 14001 and the health and safety standard OHSAS 18001.

Read about our approach to auditing our suppliers in the [Supply chain](#) section of this report, page 70.

Reporting suppliers' EHS performance

We want to understand the total EHS footprint of the processes used to make our products. This means measuring the impacts of our suppliers of active pharmaceutical ingredients and product components, as well as those from our own operations.

Over the past few years it has proved difficult to obtain environment, health and safety performance data from these suppliers just for the products that they manufacture for GSK. In 2007, we surveyed a sample of suppliers to determine their problems with providing the data. As a result of the survey we have refined our parameters for performance measures and conducted a pilot survey.

We have also put in place an electronic system to collect data from critical suppliers. Critical suppliers include suppliers of active pharmaceutical ingredients and product components and other suppliers that present the greatest risk to GSK on issues relating to security of supply, regulation, and process and materials hazards and environmental impacts.

Suppliers' EHS performance

For the first time in 2007 we used an electronic system to collect EHS data from a sample of our suppliers. This was a first step toward determining the total environmental footprint of the processes used to make our products. We recognise that this does not represent a complete picture of the EHS profile of our suppliers and we plan to continue to refine our collection of EHS data from significant suppliers of our active pharmaceutical ingredients and finished products.

This was a test of the capability of the electronic system and of the response rate. We contacted 52 of our 'critical suppliers' ([see supplier section page xx](#)). The electronic system functioned well and 21 of the 52 suppliers responded giving a response rate of 40 per cent.

These 21 suppliers provided the following information about their energy and water use, waste generated and injuries and illnesses.

Energy use

0.5 million gigajoules used by suppliers in addition to 19.0 million gigajoules used by GSK

12.6 per cent of electricity generated from renewable sources compared to 1.8 per cent in GSK

Water use

4.6 million cubic metres of water used by suppliers in addition to 20.9 million cubic metres used by GSK

Hazardous waste

24.9 million kilograms generated by suppliers in addition to 218.4 million kilograms generated by GSK

56.7 per cent of hazardous waste was solvent waste compared to 92.7 per cent for GSK

52.0 per cent of hazardous waste was recycled compared to 68.7 per cent for GSK

Non-hazardous waste

5.9 million kilograms generated by suppliers in addition to 120.1 million kilograms generated by GSK

16.2 per cent recycled compared to 68.1 per cent for GSK

82.6 per cent disposed to landfill compared to 19.2 per cent for GSK

Injury and illness

Reportable injuries and illnesses per 100,000 hours worked were 3.2 compared to 0.66 for GSK

Lost time injuries and illnesses per 100,000 hours worked were 2.4 compared to 0.33 for GSK

Calendar days lost per 100,000 hours worked were 6.7 compared to 7.6 for GSK

Our performance

Targets

We set company-wide targets to manage our most significant environmental impacts (see table). We have revised our energy and CO₂ emissions targets as part of our new climate programme (see [page 80](#)). Our materials efficiency goal aims to reduce consumption of resources which in turn reduces emissions to air and water and production of waste. Targets and performance are normalised by sales based on a constant exchange rate.

	Target	Progress in 2007
EHS audit scores	Average: 82 per cent by 2010 Minimum: 70 per cent by 2010	78% 58%
Energy for operations and transport	20 per cent reduction per unit of sales from 2006 baseline by 2010	reduced* 1%
Climate change impact from energy for operations and transport ¹	20 per cent reduction per unit of sales from 2006 baseline by 2010	reduced 2%
Solid waste	1 per cent annual reduction from 2006 baseline per unit of sales	increased 2%
Water	2 per cent annual reduction from 2006 baseline per unit of sales	reduced 8%
Wastewater (chemical oxygen demand)	3 per cent annual reduction from 2006 baseline per unit of sales	reduced 11%
Ozone depletion ²	100 per cent elimination by 2010 from 2006 baseline	eliminated 54%
Air emissions (volatile organic emissions)	2 per cent annual reduction from 2006 baseline per unit of sales	increased 4%

*attained our 2007 target of 1% energy reduction

¹Climate change impact is measured as CO₂ equivalent emissions

²Includes ozone depletion potential from production and refrigeration losses

Targets and performance normalised by sales are based on a constant exchange rate

Audits

In 2007, we audited 33 GSK sites for implementation of our EHS standards. The average score was 78 per cent (compared to 74 per cent in 2006). The lowest score we consider to be acceptable is 50 per cent. No site scored below this level and there were no critical findings (findings which indicate a high probability of incidents with potentially serious consequences).

Three sites achieved 'leadership' scores above 90 per cent (two in 2006), while a further 14 achieved scores over 80 per cent (ten in 2006).

The best performance on environmental issues was in:

- Waste management
- Energy efficiency
- Water management

Sites were generally weakest on:

- Waste minimising
- Recycling

Twenty-three of our 80 Pharmaceuticals and Consumer Healthcare manufacturing sites are now certified to the ISO 14001 and OHSAS 18001 standards (a further three are certified to ISO 14001 only). One Consumer Healthcare R&D site is certified to both standards and one GSK Biologicals site and one Pharmaceuticals R&D site are certified to ISO 14001. The certified sites are in Argentina, Brazil, China, Egypt, France, Germany, India, Italy, Japan, Kenya, Mexico, Poland, Saudi Arabia, Spain, Turkey, the US and the UK.

See [Health and Safety](#) on page 105 for more information on audit results.

Compliance

There were no fines or penalties reported in 2007.

Awareness

These are some of the ways we raised awareness about EHS in 2007:

- The *myEHS* Community intranet site. This includes the *EHS Manager* information system with policies, standards, guidelines, tools, training materials, examples of best practice and news
- The CEO EHS Excellence Awards (see below)
- Earthweek, run every June to coincide with World Environment Day. In 2007, over 17,000 employees from 61 sites in 39 countries took part. We sent information kits to all sites to help them develop their own activities including tree planting, clearing litter from a local forest and involving local school children in drawing competitions with an environment theme
- An article in our internal magazine, *Spirit*, to raise awareness of our new climate strategy
- A company-wide live broadcast to raise awareness of how employees can be more aware of climate change and help reduce energy use
- EHS bulletins which profile successful EHS projects at GSK sites during the year

EHS Excellence Awards

This recognises people who have done exceptional work in promoting and implementing EHS projects. In 2007 – the sixth year of the awards – there were 86 entries from 30 countries and from all GSK's business sectors. Top honours were made to 11 projects from Australia, Belgium, Canada, Germany, India, Ireland, Singapore and the UK.

Three of the 2007 first place award winners are featured in this report. All the winners act as examples of innovation and best practice for other sites. They receive a trophy as well as a donation to the charity of their choice. See further details on the [CEO's EHS Excellence Award](#) background pages of our website.

REACH preparation

In 2007, we worked to reduce risks to continuity of supply of chemicals presented by the introduction of the EU's Registration, Evaluation and Authorisation of Chemicals (REACH) legislation. This involved:

- Assessing the scope of operations potentially affected by REACH and identifying any substances manufactured by GSK that will require registration in June 2008
- Preparing inventories of all chemicals covered by REACH that we purchase. This involved the evaluation of over 3500 chemicals
- Contacting companies that supply GSK with chemicals covered by REACH to assess their management of potential risks to continuity of supply to GSK. This involved the evaluation of 650 suppliers

Global Harmonisation of Classification and Labelling (GHS)

We continued to prepare for impending changes to classification and labelling of hazards as part of the UN's GHS regulation. This included:

- Changing the way we produce safety data sheets to ensure compliance
- Developing training for employees on new hazard warning symbols and labels introduced as part of GHS

Climate change

Our approach

We are committed to reducing our impact on climate change. This year we launched a new climate programme which focuses on reducing energy use in our operations (facilities and processes) and for transport of products and employees (see feature box). We set new targets to reduce our climate change impact (CO₂ equivalent emissions) and energy use in operations, and transport from 2006 levels by 20 per cent per unit of sales (based on a constant exchange rate) by 2010 and by 45 per cent by 2015. As well as benefiting the environment, taking action on climate change helps us cut costs, improves our reputation with stakeholders and helps us prepare for future legislation on emissions.

Read our [position paper](#) on energy management in the background section of our website.

We are also researching ways to minimise the amount of greenhouse gases released when our propellant inhaler products are used by patients for asthma and chronic obstructive pulmonary disease. These account for two-thirds of our climate impact. Propellant inhalers contain either hydrofluoroalkanes (HFAs) or chlorofluorocarbons (CFCs) which ensure a consistent dose but are thousands of times more damaging to the climate than CO₂. CFCs also deplete the ozone layer (see [page 90](#)).

Our updated climate change programme

Climate **Change**
GSK and **you**

Building on our 2001 to 2005 programme to reduce energy use and related climate change impact, we initially established an energy conservation programme in 2005 with an energy reduction target of one per cent per year, normalised by sales, (based on a constant exchange rate). Following the fourth assessment report of the Intergovernmental Panel on Climate Change, published in 2007, we revised our programme and committed to new targets. These are to reduce our climate change impact (CO₂ equivalent emissions) and energy use in operations and transport from 2006 levels by 20 per cent per unit of sales (based on a constant exchange rate) by 2010 and by 45 per cent by 2015.

We will achieve these targets by:

- Making our buildings and equipment more energy efficient
- Installing onsite renewable technologies such as wind turbines and photovoltaic panels
- Buying electricity produced from renewable sources
- 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

The Corporate Executive Team approved a central fund to finance these energy saving projects. In 2007, the EHS team consulted with GSK businesses to identify potential energy savings at site level. Over 400 projects were identified and a cross-business team has been set up to manage selection and implementation of these projects.

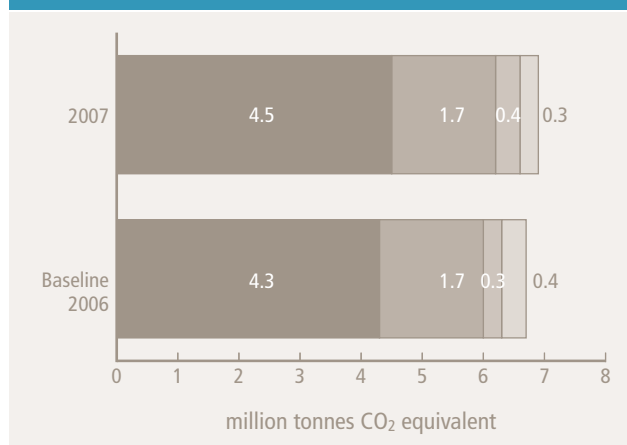
Emissions trading

A number of UK sites participate in the government's voluntary Climate Change Agreement scheme which provides companies with energy tax rebates if they meet agreed energy efficiency targets. Although 2007 was not a reportable year, performance in 2007 indicates that all participating GSK sites will comply with their Climate Change Agreements in 2008.

Several GSK sites participated in the European Union Emissions Trading Scheme. Collectively these sites emitted below their specified CO₂ allowances, generating a surplus of carbon credits. Proceeds from the sale of carbon credits are invested in energy saving projects.

Our performance

GSK's carbon footprint



Key:

- Climate impact from use of inhalers by patient
- Climate impact from operations energy
- Climate impact from travel and transport
- Climate impact from other³

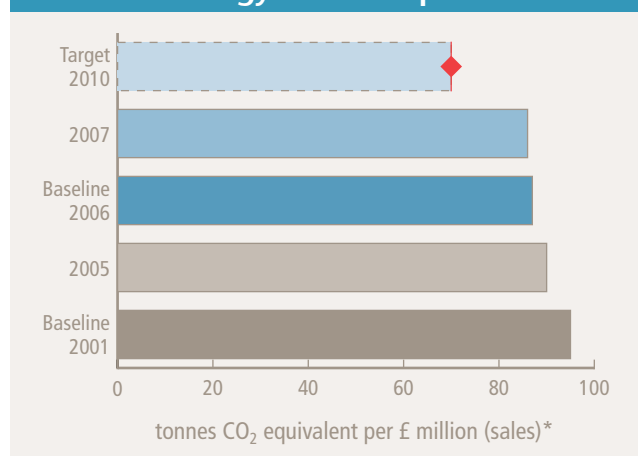
³Includes climate change impact from greenhouse gases released from cooling systems, during the production of inhaler products, from wastewater treatment and other processes.

In 2007, our carbon footprint was equivalent to 6.9 million tonnes of CO₂ compared to 6.8 million in 2006. The majority of our emissions come from the use of inhalers by patients with respiratory disease and in 2007 the use of these medically important devices increased, with emissions from inhalers increasing from 4.3 million tonnes of CO₂ to 4.5 million tonnes.

If we exclude the use of inhalers, our carbon footprint reduced from 2.5 million tonnes of CO₂ in 2006 to 2.4 million tonnes in 2007, reflecting energy efficiency progress across the business. A small component of our carbon footprint is the greenhouse gases emitted during the production of inhaler products, from wastewater treatment and other processes as well as from leakage from cooling systems.

We use the Greenhouse Gas Protocol for all of our calculations of CO₂ emissions.

Climate impact from operations energy and transport



Key:



Target



Current data



Historical data

Climate impact

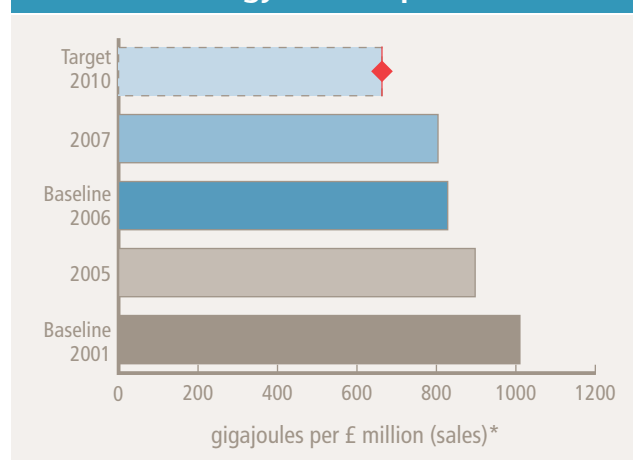
Year	tonnes CO ₂ equivalent per £ million (sales)*
2001	95
2005	90
2006	87
2007	86

*Targets and performance normalised by sales are based on a constant exchange rate.

Thirty per cent of our carbon footprint is attributed to emissions from energy for operations (facilities and processes) and transport of products and employees. While absolute climate change emissions from these sources changed less than a half per cent, our emissions per £ million of sales reduced by 1.6 per cent. We emitted 85.9 tonnes of CO₂ equivalent per £ million of sales at constant exchange rate, compared to 87.3 tonnes per £ million of sales in 2006. We expect progress toward the new 2010 targets to accelerate in 2008 as the climate change programme gets underway.

Our energy use from operations and transport on which these CO₂ emissions are based, decreased 1.3 per cent from 1037 to 1024 gigajoules per £ million of sales.

Energy consumption



Key:



Target



Current data



Historical data

Energy consumption

Year	gj per £ million (sales)*
2001	1010.1
2005	897.5
2006	828.4
2007	804.0

*Targets and performance normalised by sales are based on a constant exchange rate.

Any errors found in data from prior years are corrected so data may vary slightly from earlier reports.

Seventy-nine per cent of our energy use is attributed to energy for operations (facilities and processes). In 2007 our absolute energy use in this category decreased by 1.1 per cent to 19.0 million gigajoules. Global Manufacturing and Supply (GMS), our active pharmaceutical ingredients manufacturing group, Biologicals, our vaccines manufacturing and research group and our Pharmaceuticals Research and Development (R&D) group accounted for 56 per cent, 14 per cent, and 25 per cent respectively.

Between 2001 and 2006 our energy efficiency programme achieved incremental gains in energy efficiency by focusing on operational changes. These included optimisation of equipment use, resetting thermostats and changing to energy efficient lighting. In 2007, our energy use per £ million of sales based on a constant exchange rate, decreased 2.9 per cent, exceeding our previous target of a one per cent per year improvement.

In mid 2007 we revised our climate change programme to include more challenging targets covering energy for operations (facilities and processes) and transport of products and employees. These will be achieved through investment in energy efficiency projects which will bring more significant gains over a longer time frame. We approved funding for these projects in late 2007 and when fully implemented we expect them to deliver significant energy savings.

Since 2006, some parts of our business continued to make incremental gains in energy efficiency but growth in our vaccines business and the associated increases in energy use partially offset these efficiency gains.

For more information on our work to [increase energy efficiency](#), see the background pages of our website.

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 includes equipment upgrades, installation of environmentally-friendly technologies and a programme to engage and motivate employees.

Jurong manufactures active ingredients for medicines, including those used in the treatment of HIV, hepatitis B and asthma. Over the last ten years the number of medicines in production at Jurong has increased. In 2002 site managers predicted that Jurong's electricity consumption was likely to increase by around 40 per cent by 2006.

A comprehensive energy savings plan was introduced to reduce the site's operating costs and minimise its impact on the environment. This includes:

Involving GSK employees

Regular awareness campaigns are run 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

Manufacturing processes can generate a lot of heat, wasting energy. The site has improved air conditioning and ventilation systems to cool down equipment more efficiently and reduce energy use. Maintenance and repairs on all equipment is carried out on a regular basis. If anything is damaged it is replaced with the most up-to-date and energy efficient part available.

Installing new technologies

Solar panels have been installed to provide renewable energy to the site.

As a result of these measures the Jurong site has:

- **Prevented a projected 40 per cent increase in energy usage**
- **Reduced energy use by an average of 30 per cent per year since 2003**
- **Saved 22,269 tonnes of CO₂ since 2003**
- **Created an energy saving culture among employees**

Transport of products and employees

In 2007, we estimate that transport of our products and employees accounted for 367 million kilograms of CO₂ compared to 340 million kilograms in 2006. This was equivalent to about 18 per cent of our climate change impact from energy. This increase was due to improvements in our data collection systems. We identified shipping routes by air, sea and road not captured in previous data. 2007 data also include additional air travel originating in the US.

Business air travel accounted for 30 per cent of our travel-related CO₂ emissions. Our global sales fleet accounted for 34 per cent of our travel-related CO₂ emissions.

Transport of our products from manufacturing plants to distributors accounted for 36 per cent of our travel-related CO₂ emissions. The majority of our products were transported by air freight (accounting for 75 per cent of our product transport-related CO₂ emissions). These are some of the ways we aim to reduce the impact of transporting products:

- Consolidating freight shipments
- Reducing the number of shipping points
- Making more use of round tripping (managing inbound freight trucks so they do not return empty)
- Switching from air to sea transport where possible (see case study).

Reducing CO₂ emissions through sea freight

GSK Europe has significantly reduced CO₂ emissions and saved money by distributing goods using sea freight, rather than by air.

Hamburg in Germany – the world's ninth-largest container port – is one of our global distribution hubs. GSK medicines are sent from our Bad Oldesloe distribution centre via the port to the Middle East, Asia and Europe.

GSK products delivered to Dubai, Japan, Singapore and Iceland from Bad Oldesloe are now transported by boat rather than plane. This has reduced carbon dioxide emissions for these routes by 96 per cent – a total of 10,140 tonnes between 2005 and 2007.

Making the switch did not just benefit the environment. It brought a cost saving of €800,000 between 2005 and 2006 and improved product quality. This is because sea containers have better temperature control than those used in air freight. There has also been less theft and damage because containers transported by sea are sealed at the dispatch site and not re-opened until they reach their destination.

We are now planning to switch from air to sea freight for deliveries from Bad Oldesloe to China, Australia and South America.

Travelling to work

We have 'green travel plans' at a number of sites to encourage employees to reduce the environmental impact of their travel to work. For example, at GSK House in Brentford, UK, privileged parking spaces are given to car-sharers and drivers of fuel-efficient cars. Buses powered by biodiesel run to and from the local train station, while changing rooms and showers are provided for cyclists as well as discounts for bicycle equipment and repairs. We are beginning to use hybrid-engine cars for our chauffeur service.

Product climate impact

We have been phasing out CFCs from our inhaler products for the last 15 years. Only two per cent of our inhalers now contain CFCs and we have committed to a complete phase-out by the end of 2010 and we are on track to meet this target.

The replacement propellants, HFAs, have a lower but still significant global warming potential – 16 per cent of the global warming potential of CFCs. GSK also offers dry powder inhalers for asthma sufferers which contain no greenhouse gases. These are not suitable for all patients, particularly children and the elderly, as they do not contain propellants and rely on a person's lung power for the active ingredients to be administered.

We are exploring ways to reduce the amount of HFAs released from our inhaler products. Possible options include:

- Minimising the volume of HFA 134a used per inhaler by either changing the product or the way it is delivered
- Reducing HFA 134a emissions in manufacturing

Read more about the environmental impacts of our inhalers in [Ozone depletion](#) on page 90 of this report.

Product stewardship

We take the environment into account across the entire lifecycle of our products. This begins with process design and continues through manufacturing to use by the patients and eventual disposal. EHS stewardship was our EHS theme for 2007, consistent with our move away from managing risk to concentrate on opportunities presented by increased process efficiency, one of the elements of environmental sustainability that we identified as a particular focus.

Cutting the environmental impact of our UK household brands

In 2007 our UK Nutritional Healthcare division launched a new sustainability strategy, led by Graham Neale, to cut the environmental impacts of our household brands.

The process started with a detailed carbon footprint analysis for nine *Ribena*, *Lucozade* and *Horlicks* products. This showed that the most significant environmental impacts relate to packaging and ingredients. Energy use, water and waste are also significant. We have set targets to reduce the environmental impacts in each of these areas.

Our ingredients target

- To have sustainable sourcing strategies in place for all major ingredients, such as fruit and carbohydrate by 2010

Our progress – We source all our blackcurrants for *Ribena* in the UK, avoiding the environmental impacts of long-distance transport. We partner with the Wildlife Trusts and growers to boost biodiversity on blackcurrant farms. We have also worked closely with the Scottish Crop Research Institute to develop two new varieties of blackcurrant which are resistant to the new weather conditions likely to arise from climate change.

Continued on page 84

Our packaging targets

- Reduce the amount of packaging we use by 25 per cent by 2010
- All packaging to be made from 50 per cent recycled materials by 2010
- All packaging to be 100 per cent recyclable by 2010.

Our progress – We use an average of 40 per cent recycled plastic in our bottles. We can achieve a higher percentage (we now use 100 per cent recycled plastic for our *Ribena* ready-to-drink range), but are limited by the availability of recycled plastic. We are making packaging lighter and easier to recycle.

For example we have reduced the weight of *Lucozade* bottles from 26 gm to 23 gm since 2004. Most of our products are consumed outside the home so this is where most recycling needs to take place. We are testing reverse vending machines to recycle bottles in shopping centres ([see case study on page 86](#)) and working with Closed Loop London and some major retailers to support recycling in the workplace. We helped set up an environmental taskforce at the Union of European Beverage Associations to improve recycling across the soft drinks industry.

Our energy target

- Reduce energy use in manufacturing and distribution by 20 per cent by 2010.

Our progress – Since 2002 the Coleford facility has increased production by 19.6 per cent but energy has only grown by 15.1 per cent representing an improvement in the energy efficiency of the site.

Our waste and water use targets

- Reduce water use by 20 per cent by 2010
- Reduce manufacturing waste sent to landfill by one per cent each year up until 2010

Our progress – Nutritional Healthcare products are manufactured at two main sites in the UK, at Coleford and Slough, which already recycle at least 95 per cent of their waste.

Our approach

Process design

Process design is essential to minimising environmental impacts. It determines which chemicals and processes are used in manufacturing as well as the impacts from the wastes of production. The EHS team works with process development teams to incorporate EHS considerations into process design and materials sourcing, and to identify potential EHS risks in manufacturing.

GSK scientists and engineers use an eco-design toolkit to identify process improvements and EHS issues. The toolkit has five modules:

- **Green Chemistry/Technology Guide** – information on using chemistry to improve resource efficiency, reduce EHS impacts and minimise costs
- **Materials Guides** – information on the environmental impacts of materials, including solvent and chemical selection
- **Green Packaging Guide** – an assessment tool for selecting packaging
- **FLASC (Fast Lifecycle Assessment for Synthetic Chemistry)** – a web- tool for assessing the environmental impacts of different chemical processes and identifying the 'greenest' materials
- **The Chemicals Legislation Guide (CLG)** – identifies legislation on hazardous substances and provides guidance about chemicals of concern

See more on the toolkit and our approach to [process design](#) in the background pages of our website.

Each year we collect green chemistry metrics for every batch of potential new medicines under development (known as a campaign) – over 100 in 2007 – to measure progress on our product stewardship objectives. These include assessments of how efficiently we use raw materials, what solvents and 'materials of concern' we use and their EHS impacts. Each campaign is scored on its environmental impacts across its lifecycle (using the FLASC system). The FLASC scores depend on the complexity of the drug substances in development. This year they worsened slightly because of the increased complexity of some of the compounds we are producing.

We give feedback to the development teams based on this review, and share best practice.

Materials efficiency

We aim to increase the efficiency with which we convert raw materials to finished products. Known as materials efficiency, this helps reduce the resources we use, the waste we generate and the cost of production.

Pharmaceutical processes are often complex, usually requiring large amounts of solvents and other raw materials. Typically, the industry uses about 100 tonnes of material for every tonne of active pharmaceutical ingredient (API) produced. That materials efficiency compares to about 20 per cent for the fine chemicals industry and 50 per cent for bulk chemicals. We have set a target to double the average materials efficiency of manufacturing processes for new products introduced between 2006 and 2010.

Making toothpaste production more sustainable

GSK is a leading manufacturer of oral care products with a European market share of over 22 per cent. Our Maidenhead site in the UK produces over 400 million units of toothpaste and mouthwash each year. In 2007, the site introduced a new 'continuous manufacturing' process to cut its environmental footprint. This is the first time this process has been used in the oral care industry.

Previously toothpaste at the site was made in batches. Equipment needed to be washed when there was a change of active ingredient. With continuous manufacturing, toothpaste production continues 24 hours a day. Formulations are changed less often and equipment does not need to be washed so frequently. This saves water and reduces the chemicals used for cleaning. It also results in less waste, helping to cut costs.

Each year the new process will reduce:

- Raw material waste by almost 24.5 tonnes
- Water consumption by 20 million litres
- Costs by £45,000

The equipment has proved reliable and efficient and we are looking for opportunities to introduce the same process at other GSK manufacturing sites.

The environmental impact of our products is also becoming more important to our retail customers. For example, during 2007 Wal-Mart, one of our biggest global customers, asked us to assess the amount of CO₂ released across the lifecycle of our toothpaste products in the US – from the manufacturing and supply of raw materials through the manufacturing, packaging and transport of the finished product.

Materials of concern

Materials of concern are chemicals where scientific evidence shows probable serious effects to humans or the environment and for which there is existing or potential future legislation that may restrict use. These compounds are usually persistent in the environment, bioaccumulate in animals and plants or are toxic to life.

Our EHS team is working with our process development teams to help them develop strategies to eliminate or substitute the use of these materials.

Read our position paper on [hazardous chemicals management](#) on our website.

Pharmaceuticals in the environment

Active pharmaceutical ingredients (the substances that make medicines work) are eventually excreted by humans and enter the sewage system. Wastewater treatment removes most pharmaceutical residues but small concentrations do end up in rivers or in the sea. In countries where wastewater is not treated, higher concentrations may enter the environment.

We conduct environmental tests and risk assessments on new pharmaceutical products. These indicate that our products do not appear to pose a risk for humans or the environment based on current risk assessment methodologies.

In the EU and US, environmental risk assessments are part of the approval process for new medicines. These allow regulatory agencies to assess the potential for environmental impacts of drugs pending approval.

We continue to monitor the latest scientific studies and findings to improve our risk assessment methodology. We also work with other pharmaceutical companies, universities and research groups in this area and collaborate on joint projects with industry groups. For example, we submit environmental data on our products as part of the Swedish classification system for pharmaceuticals, a collaboration between the Swedish Pharmaceutical Association and the Swedish government. This is a voluntary transparency initiative making information about environmental risks available to the public, doctors and scientists. We participate in technical working groups on pharmaceuticals in the environment sponsored by the industry group Pharmaceutical Research and Manufacturers of America (PhRMA). We are also beginning to study the possible impacts of mixtures of various compounds at extremely low concentrations, which include our pharmaceuticals.

See more on our approach to [pharmaceuticals in the environment](#) on the background pages on our website.

Packaging

We are working to reduce the environmental impact of packaging for our Pharmaceutical and Consumer Healthcare products.

Our Green Packaging Guide provides guidance for evaluating and selecting packaging. It allows designers and managers to benchmark new and existing packaging designs, using five metrics:

- Manufacturing impacts
- Mass of the material
- Biodegradability
- PVC content
- Resource depletion of petrochemical feedstocks

One example of reducing the impact of our packaging is the use of 100% recycled plastic for our *Ribena* bottles. One of challenges of doing this was finding enough recycled plastic. See case study below.

Reverse vending machines

GSK is involved in an innovative project with UK recycling charity Recoup and Imperial College London to increase recycling of empty plastic drinks bottles using reverse vending machines. These look like normal drinks dispensers but there is a crucial difference – they work backwards. After enjoying their drink people can drop the bottle into the machine where it is compacted and then collected for recycling.

Plastic bottles are bulky and difficult to transport. Compacting at source helps to overcome this problem. The machines also prevent the plastic being contaminated with other waste so it is cheaper to process and requires less water for cleaning than plastic recovered from mixed waste recycling units.

Three reverse vending machines were installed at UK shopping centres in 2007 and another machine is planned for 2008.

The success of the scheme relies on people giving back their empties and a discount shopping voucher generated by the machines provides an incentive to take part.

The project is developing a sustainable business model where profits generated from collection of the bottles and the sale of advertising space on the machines are used to buy new machines.

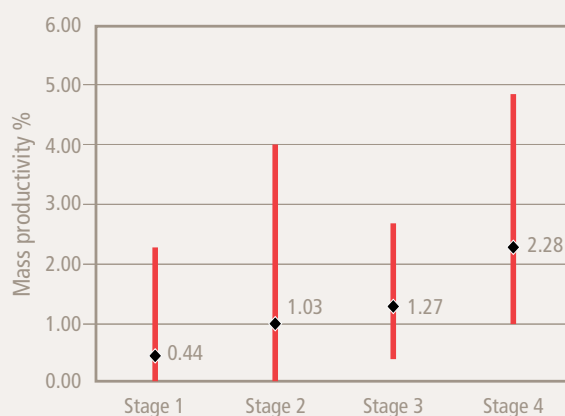
Not only will this create a steady supply of used bottles for recycling, it helps the issue of litter of our bottles which we have seen in the past.

Our performance

Materials efficiency

The chart shows how we improve materials efficiency as compounds move through development stages. In the early stages almost all compounds are less than one per cent materials efficient. By the last stage most achieve more than two per cent and some are above three per cent, with one process achieving productivity of 4.9 per cent.

Mass productivity



Key:



average

Materials of concern

In 2007, we used 49 metric tonnes of materials of concern, 92 per cent of which was accounted for by four solvents. This was an increase from 2006 as more batches of new products were produced during the year. The solvent waste from this production was destroyed by incineration. We also examined the use of materials of concern across all phases of development. This determined which substances are being used and identified how they can be replaced during development.

Water

Clean water is a valuable resource that needs to be conserved and protected from pollution.

Our approach

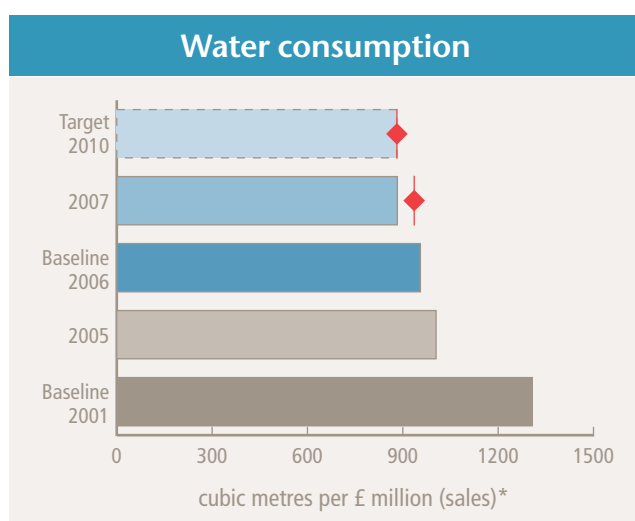
GSK uses water in manufacturing (for processes, products, cooling and cleaning) and for general site uses including drinking, food services and sanitation. Sites that manufacture active pharmaceutical ingredients use large amounts of water while R&D sites and offices use less.

Our water standard requires sites to minimise water use, re-use water whenever feasible and ensure that all wastewater is treated and discharged in a way that minimises adverse environmental impacts. Our target is to reduce water consumption by two per cent per annum per unit of sales.

In 2007, we used 20.9 million cubic metres of water, 5.8 per cent less than in 2006. Water consumption per unit of sales was 7.6 per cent lower than in 2006, exceeding our target of a two per cent decrease. Most of this reduction was achieved through maintenance at facilities and process changes.

Smaller improvements were achieved through ongoing conservation measures, particularly at water-stressed locations. For example our pharmaceutical manufacturing plant in Boronia, Australia, located in a water-stressed area, has an on-going campaign to save water. Since 2001 they have reduced water usage by 33 per cent while increasing production by 22 per cent and staff by 30 per cent, saving an average of 29 million litres of water a year. These water savings are accomplished by recovering wastewater and using it in cooling towers, amenities and maintenance, by capturing storm water and by communicating with employees about saving water.

Our performance



Key:



Water consumption	
Year	m³ per £ million (sales)*
2001	1307.5
2005	1004.7
2006	955.3
2007	882.7

*Targets and performance normalised by sales are based on a constant exchange rate.

Wastewater

Our approach

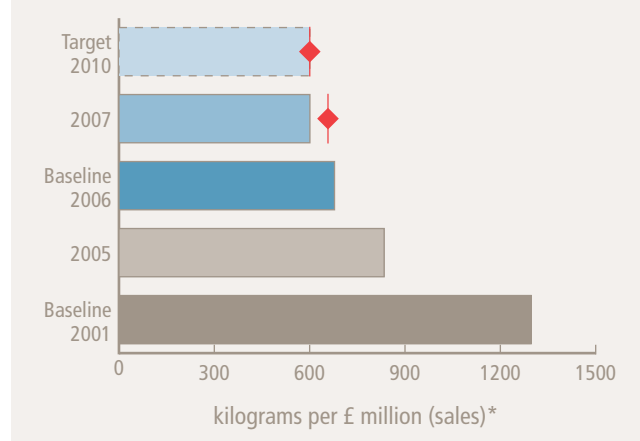
Most sites discharge wastewater to municipal treatment facilities. Some large sites, especially primary manufacturing, have their own on-site wastewater treatment systems. Some sites are permitted to discharge wastewater direct to the sea.

We assess the quality of wastewater by measuring the chemical oxygen demand (COD) – the oxygen required to chemically oxidise compounds in the water. The lower the COD, the cleaner the water.

Our target from 2006 is to improve COD levels by three per cent a year per unit of sales. The vast majority of COD comes from manufacturing. Therefore our data cover mainly wastewater from manufacturing processes but do not include all wastewater from 'domestic' activity such as washrooms and canteens.

Our performance

Chemical oxygen demand of wastewater



Key:



Chemical oxygen demand of wastewater

Year	kg per £ million (sales)*
2001	1296.7
2005	843.3
2006	678.2
2007	600.8

*Targets and performance normalised by sales are based on a constant exchange rate.

Any errors found in data from prior years are corrected so data may vary slightly from earlier reports.

We generated 11.8 million cubic metres of wastewater in 2007, about the same as 2006. Total chemical oxygen demand (COD) discharged after on-site treatment was 14.2 million kilograms, 9.7 per cent less than in 2006. The reduction in COD per unit of sales was 11.4 per cent.

The annual chemical oxygen demand of wastewater is linked to the type of products made in a year. In 2007 we stopped or decreased production of some products that create wastewater streams with significant COD.

Waste

Our production, research and sales activities all produce waste:

- Production – hazardous wastes such as solvents and other chemicals
- R&D and quality laboratories – small amounts of chemicals including products and intermediates, as well as broken glassware and plastics

- Offices – paper and other standard commercial waste
- Building renovations produce non-routine waste such as obsolete equipment, office furniture and structural materials

We classify waste as hazardous, non-hazardous, and non-routine (for waste such as construction and demolition rubble). A significant proportion of our waste is classified as hazardous because it contains solvents and chemicals used to manufacture active pharmaceutical ingredients. Other hazardous waste we produce includes lubricants, fluorescent lights and carcasses of animals used in research.

Most non-hazardous waste is general material such as office waste paper, kitchen waste and non-hazardous substances used in manufacturing. A very small part is biological waste that has been treated so it is not hazardous.

Our approach

We aim to eliminate waste where we can, reduce it if we cannot eliminate it, re-use materials if possible, recycle other waste and dispose of any remaining material sensitively.

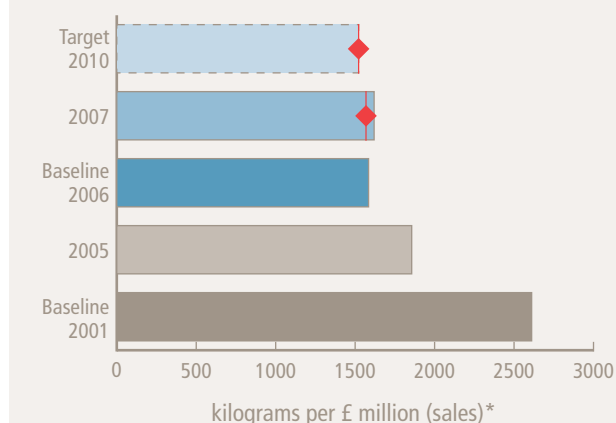
We separate hazardous wastes. Regulations vary widely around the world, but our first choice for solvents (which account for most of our hazardous waste) is to re-use or recycle material. Some solvent is purified on site and reused in the original manufacturing process and some is sold to commercial reprocessing companies (also included in our recycling statistics). When this is not possible solvents are mostly incinerated and the energy recovered wherever possible.

We require disposal contractors to comply with our EHS requirements and local regulations. Sites audit their waste contractors or hire consultants to carry out the audits.

Our target is to reduce non-hazardous waste disposed per unit of sales by one per cent per annum. We have not set a target for reduction of hazardous waste but our target to improve material efficiency (the efficiency with which we convert raw materials to finished products) is designed to reduce hazardous waste (see [page 86](#)).

Our performance

Non-hazardous waste disposed



Key:



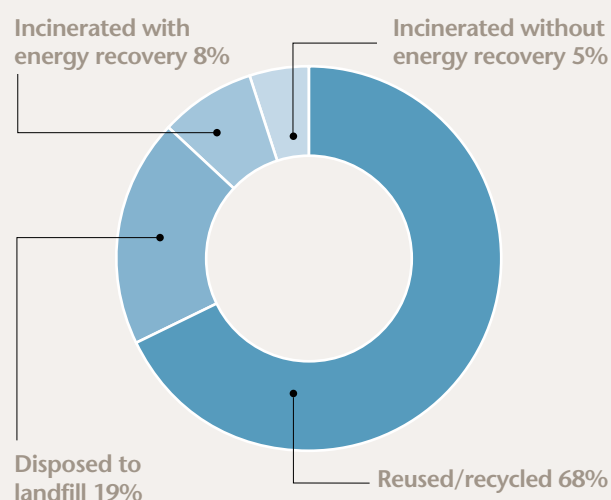
Non-hazardous waste disposed

Year	kg per £ million (sales)*
2001	2610.7
2005	1855.9
2006	1584.4
2007	1619.4

*Targets and performance normalised by sales are based on a constant exchange rate.

Any errors found in data from prior years are corrected so data may vary slightly from earlier reports.

Destination of non-hazardous waste 2007



In 2007, we generated 120.1 million kilograms of non-hazardous waste, compared to 113.8 million kilograms in 2006. Of this 68.1 per cent was recycled and 31.9 per cent was disposed of via landfill or incineration. The amount disposed per unit of sales increased by 2.2 per cent compared to 2006.

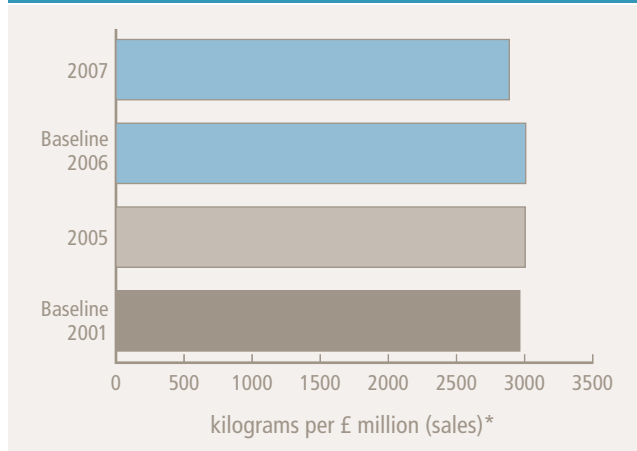
We reduced disposal of non-hazardous waste at our pharmaceutical manufacturing sites by 4 per cent and by 12 per cent at our pharmaceutical R&D sites. However there was an 83 per cent increase in non-hazardous waste disposal in our vaccines business due to expansion. For example, increased production of our flu vaccine resulted in more waste from chicken eggs.

These data do not include non-routine waste such as construction and demolition rubble and similar material not related to day-to-day operations.

We continue to look for ways to reduce waste and have undertaken waste management reviews at many sites.

Recycling non-hazardous waste such as paper, cardboard, glass, plastic or aluminium, usually means sending it for reprocessing so it can be reused to make new products. Two sites in India have stopped putting the coal ash they generate on site in landfill; instead they sell it as raw material for the production of construction material. In addition, three nutritional drink manufacturing sites send some of their process wastes (barley husk) for use in animal food while others recycle canteen waste or effluent treatment plant sludge by converting it into bio-compost.

Hazardous waste disposed



Key:

■ Historical data ■ Current data

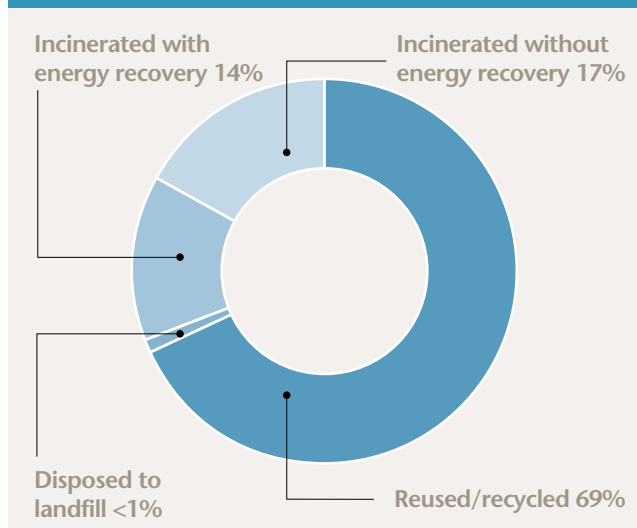
Hazardous waste disposed

Year	kg per £ million (sales)*
2001	2964.8
2005	3004.1
2006	3008.3
2007	2887.6

*Targets and performance normalised by sales are based on a constant exchange rate.

Any errors found in data from prior years are corrected so data may vary slightly from earlier reports.

Destination of hazardous waste 2007



In 2007, we generated 218.4 million kilograms of hazardous waste, compared to 240.8 million kilograms in 2006. The amount disposed per unit of sales was 4.0 per cent lower than 2006. Of this 68.7 per cent was recycled, 0.3 per cent was disposed of via landfill and 31.3 per cent was incinerated (with energy recovered from 45.5 per cent of this). Hazardous waste was mostly solvents (92.7 per cent), the rest being general site waste.

Disposal of hazardous waste is affected by the way solvents are managed and by the mix of products that are made in the year.

Most hazardous waste comes from primary production activity, and this is where we concentrate our efforts. We do not collect hazardous waste data from consumer manufacturing plants, laboratories and offices which we estimate would produce about an additional three per cent of our hazardous waste.

Remediation

In the past, some waste and chemicals handling practices contaminated land and groundwater. These practices are no longer followed, however we are continuing to clean up these sites to deal with health and environmental hazards. GSK and its heritage companies have spent more than £100 million cleaning up more than 50 sites in the US over the last 20 years. We are continuing to clean up 25 of these sites. Most of them are waste disposal sites where GSK is one of several responsible parties. These figures are not included in the data verification.

Ozone depletion

The ozone layer in the upper atmosphere is essential to human survival because it filters out harmful ultra-violet rays from the sun. It has been damaged by ozone depleting substances (ODSs), mainly chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs) and halons.

Our approach

Our main use of ODSs in the past was as the propellant gas in metered dose inhalers (MDIs) for asthma sufferers. The gas is released when patients use the inhalers and a small amount escapes during production. Previously we used CFCs, but we have been switching to hydrofluoro-alkanes (HFAs) and dry powder technology which does not require a propellant. HFAs do not deplete the ozone layer but do contribute to climate change (see [page 80](#)).

The Montreal Protocol bans the production of CFCs but it exempts a number of 'essential uses' which include MDIs. We plan to eliminate the use of CFCs from our worldwide product portfolio by 2010. Only two per cent of GSK inhalers now contain CFCs.

We have stopped using CFCs in the US and the European Union and offer a selection of alternatives in most other countries. We plan to cease manufacturing of CFC inhalers in China in 2008 and will eliminate all CFCs from our products worldwide by the end of 2010.

The main alternative propellant used is HFA 134a. This does not affect the ozone layer but does have high global warming potential, (see [page 80](#)). We have also invested heavily in dry powder delivery systems that do not use CFCs or HFA 134a.

We also use ODSs in some cooling systems and for other ancillary uses at GSK facilities. These are contained inside the systems and are only released in the event of a leak or during maintenance. We have switched to using HFAs, ammonia and hydrocarbons. Ammonia does not contribute to either ozone depletion or climate change and hydrocarbons have a small climate change impact.

Equipment and production

We aim to eliminate CFCs and HCFCs from cooling systems. This is the only way to completely eliminate emissions from equipment. We are focusing on removing larger pieces of equipment from service before the end of 2010.

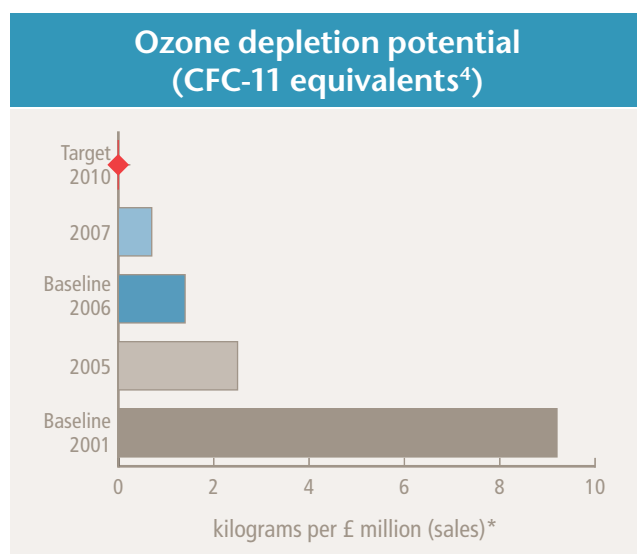
We do not intend to replace equipment containing less than one kilogram of CFCs or HCFCs. This type of equipment tends to be hermetically sealed and is less likely to leak.

In 2007, 136.5 thousand kilograms of CFC propellant were released when patients used our products. A much smaller amount – 14.9 thousand kilograms – was released during production of inhalers and we estimate that less than one thousand kilograms of CFC-11 equivalent was emitted from equipment.

Ozone depletion potential from patient use of metered dose inhalers was 26.4 per cent lower than in 2006. As production of CFC-containing MDIs decreases, the amount of CFC lost during production also declines.

Ozone depletion potential estimated from equipment and production losses per unit of sales was 0.7 kg per £ million sales, 55.0 per cent lower than 2006. We have 159 pieces of equipment containing CFCs, amounting to 14,151 kilograms in total. Over 5,000 items of equipment contain other ODSs, with an ODP of 4,636 kilograms of CFC-11 equivalent. We estimate (using an estimation factor of 2.75 per cent from the British Refrigeration Association) that 516 kilograms CFC-11 equivalent were released from equipment in 2007.

Our performance



Key:

◆ Target
 ■ Current data
 ■ Historical data

Ozone depletion potential	
Year	kg per £ million (sales)*
2001	9.2
2005	2.5
2006	1.4
2007	0.7

*Targets and performance normalised by sales are based on a constant exchange rate.

Any errors found in data from prior years are corrected so data may vary slightly from earlier reports.

⁴CFC-11 has an ozone depletion potential of 1

Volatile organic compounds

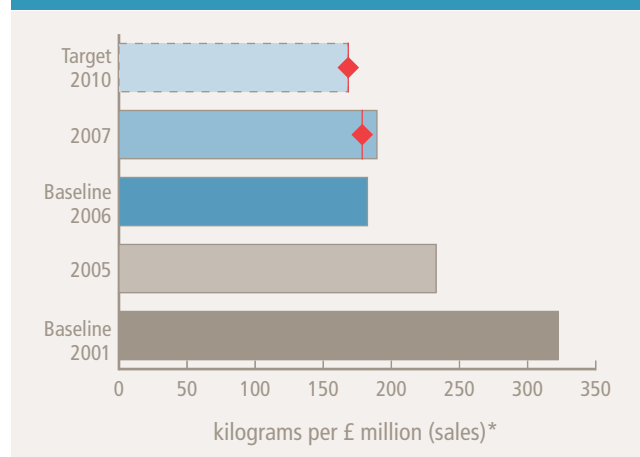
Volatile organic compounds react with nitrogen oxides in the presence of sunlight, creating ozone in the lower atmosphere. This results in smog which is a factor in human respiratory illness. Workplace exposure to certain VOCs can also pose a health risk.

Our approach

We use volatile organic compounds (VOCs) mainly as solvents in our primary manufacturing operations and R&D pilot plants. Solvents are also used to coat some tablets and in cleaning for sterile operations. We also use small quantities in laboratories but do not measure emissions from this use.

Our performance

Volatile organic compound emissions



Key:



Target



Current data



Historical data

Volatile organic compound emissions

Year	kg per £ million (sales)*
2001	322.4
2005	232.8
2006	182.4
2007	189.4

*Targets and performance normalised by sales are based on a constant exchange rate.

In 2007, we released 4.5 million kilograms of VOCs to the atmosphere. This was 5.8 per cent higher than in 2006. Emissions per unit of sales were 3.8 per cent higher. Our target from 2006 is to reduce VOCs by two per cent per annum per unit of sales.

VOC air emissions are affected by the management of solvents and by the mix of products that are made in the year. In 2007 some of our primary manufacturing plants made products that required solvents that their solvent recovery equipment could not adequately handle. We continue to look for ways to reduce solvent emissions at sites.

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 expect that results from these improvement projects will not be uniform, but rather dependent on projects that will take time to implement. We are confident that we can meet our climate change targets as these projects begin to deliver energy savings and climate change improvements. In addition to achieving our energy and climate change targets, we will continue to explore ways to reduce the amount of HFAs (powerful greenhouse gases) released from our inhaler products.



Your inhaler products have a large environmental impact. What are you doing about this?

We have been phasing out CFCs from our inhaler products for the last 15 years, replacing these gases with HFAs which have a lower climate change impact (16 per cent that of CFCs). Only two per cent of our inhalers now contain CFCs and we have committed to a complete phase-out by 2010. As part of our new climate strategy, we are exploring ways to reduce the amount of HFAs released from our inhaler products and we are looking into alternative propellants.

We also offer dry powder inhalers for asthma sufferers which contain no greenhouse gases. These are not suitable for all patients, particularly children and the elderly, as they do not contain propellants and rely on a person's lung power for the active ingredients to be administered.

How can the pharmaceutical manufacturing process be made more efficient?

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.

Are pharmaceutical residues present in drinking water and are they a risk to humans?

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.

External assurance statement



SGS UNITED KINGDOM LTD'S REPORT ON ENVIRONMENT, HEALTH AND SAFETY DATA IN THE GLAXOSMITHKLINE CORPORATE RESPONSIBILITY REPORT FOR 2007

NATURE AND SCOPE OF THE ASSURANCE

SGS United Kingdom Ltd was commissioned by GlaxoSmithKline (GSK) to conduct an independent assurance of the Environment, Health and Safety data in their Corporate Responsibility (CR) Report. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included 2007 data contained in pages [80–87](#) and [90–92](#) and the accompanying data tables in pages [97–99](#) of this report.

The information in the GSK CR Report and its presentation are the responsibility of the directors and management of GSK. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the CR Report. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2003). These protocols follow differing levels of Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured for content veracity. The assurance comprised a combination of interviews with relevant employees; documentation and record review at GSK locations in UK (London, Tonbridge, Montrose, Coleford, Barnard Castle), USA (Upper Providence, St Louis), Canada (Sainte Foy, Mississauga), South Africa (Cape Town), India (Sonapat), Germany (Dresden), Australia (Port Fairy), Mexico (Xochimilco) and Brazil (Jacarepagua). The sites selected included those that submitted high proportions of key data and included all parts of the GSK business.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance.

SGS United Kingdom Ltd affirm our independence from GSK, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with IRCA, IEMA and EMAS Verifiers.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the Environment, Health and Safety data contained within the GSK Corporate Responsibility Report 2007 is reliable and provides a fair and balanced representation of GSK's Environment, Health and Safety activities in 2007. We believe that GSK has chosen an appropriate level of assurance for this stage in their reporting.

External assurance statement

Key areas for improvement to data collection, submission and manipulation were identified as follows:

- Although there is a central database for recording EHS data, many sites use spreadsheets to collate data before entry into the database, leading to the possibility of errors in data transfer;
- Some data is collected and submitted by subcontractors with no internal audit or other checking mechanism in place and errors were found in such data;
- There were some instances where no system for collection of certain data existed or where data was not reported, although these were not significant quantities for individual sites;
- Data from ancillary services or site activities was not always included in reported data;
- Some estimated data was not corrected when actual values became available and there was no system in place to ensure this happened.

Improvements identified in previous reporting period have started to be implemented as follows:

- Definitions are instantly available electronically in EHS Manager and were seen to be in use on sites. A revision of documented detailed definitions is currently in progress;
- Estimates continue to be made for certain data and we recognise that this is still necessary and that attempts are being made to determine the most appropriate estimation methods and ensure accuracy in calculations carried out;
- An increasing amount of data is being submitted by sites on a more regular basis, allowing for a more rigorous checking process and the newly established EHS Business Intelligence Report provides for instant up-to-date view of the overall data as well as underlying site-by-site data to track changes and outlying figures more easily;
- Training has been continuing and site visit reports indicated that personnel involved were generally prepared for verification activities and able to provide the necessary information;
- There appeared to have been an increase in the number of comments included alongside data in EHS Manager to provide explanations, however this is still an area for ongoing improvement;
- The EHS Business Intelligence Report extracts data directly from EHS Manager to the Corporate Responsibility Data Table and thereby reduces the possibility of errors occurring from alternative data extraction methods;
- Relevant data was more readily available during external verification process through the use of the EHS Business Intelligence Report.

Key areas for improvement in data verification process were identified as follows:

- Verification audits are planned in the coming reporting year to be undertaken alongside ISO14001 and OHSAS18001 certification audits where possible. Since these visits could occur at any point during the year sites should be encouraged to report data into EHS Manager on a regular monthly basis wherever possible;
- The final verification process would be improved by extending the time period between any site visits and this process to allow for any amendments to data to be completed in advance of the final verification.



Signed:

For and on behalf of SGS United Kingdom Ltd

Pauline Earl
Managing Director
20 February 2008
WWW.SGS.COM

Links

In this report:

- Feedback from the EHS stakeholder panel in [Stakeholder engagement](#)
- Supplier EHS audits, see [Supply chain](#)
- Communicating with employees, see [Employment](#)

In the background section of our website:

- EHS management framework
 - Environmental issues
 - Position papers on:
 - [Energy](#)
 - [Climate change](#)
 - [Hazardous chemical management](#)
 - [Pharmaceuticals in the environment](#)
- www.gsk.com/responsibility/values

Metric	2001	2004	2005	2006	2007
Energy use					
Energy for operations (million gigajoules)	20.7	18.9	19.4	19.2	19.0
Natural gas	9.87	8.69	8.81	9.10	8.91
Fuels	1.40	1.50	1.50	1.07	1.03
Coal	1.04	0.56	0.63	0.47	0.51
Steam imported	0.28	0.17	0.19	0.21	0.19
Electricity imported	8.10	7.98	8.31	8.38	8.40
Energy for transport¹ (million gigajoules)	–	–	–	4.8	5.2
Sales force	–	–	–	2.0	1.8
Air travel	–	–	–	1.5	1.6
Product logistics	–	–	–	1.4	1.9
Climate change impact (CO₂ equivalent)²					
CO₂ equivalents from operations energy (million kilograms)	1,825.3	1,666.6	1,715.9	1,687.9	1,667.5
Natural gas	504.0	443.7	449.9	464.8	455.1
Fuels	86.9	96.0	98.7	73.9	70.6
Coal	93.5	50.2	56.8	42.6	45.4
Steam imported	39.3	11.2	13.8	14.5	13.4
Electricity imported	1,101.6	1,065.5	1,096.7	1,092.2	1,083.0
CO₂ equivalents from transport¹ (million kilograms)	123.0	206.0	233.0	339.9	367.0
Sales force	33.0	78.0	102.0	136.1	123.4
Air travel	71.0	114.0	112.0	105.5	110.0
Product logistics	19.0	14.0	19.0	98.3	133.6
CO₂ equivalents from other production activities (million kilograms)	1,422.9	640.4	563.6	405.3	290.6
Inhaler production losses	1,218.6	491.9	420.3	306.9	215.8
Equipment containing greater than 1 kg refrigerant ³	116.86	46.66	46.82	6.99	8.47
CO ₂ , Methane and Nitrous Oxide from production, waste treatment and other sources	87.43	101.86	96.46	91.39	66.25
CO₂ equivalents from use of inhalers by patients⁴ (million kilograms)	–	–	–	4,335	4,530
CFC-11 inhalers	–	–	–	197	145
CFC-12 inhalers	–	–	–	1,083	797
HFC-134a inhalers	–	–	–	3,055	3,589

Footnotes

¹ Energy and climate change impact for travel and transport by air, land and sea is calculated using the GHG protocol starting from distance travelled, not directly from fuel use. In years before 2006 we did not collect all categories of freight transport or employee business travel. In 2007 product transport reporting covered more product transport routes by air, land and sea and employee travel included group air travel originating in the US (which was not included in 2006). Some of the transport data are estimated and we may not capture all routes and employee air travel

² Climate change impact is calculated as CO₂ equivalent using the Greenhouse Gas (GHG) Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development. In 2007 we reviewed all CO₂ factors and updated the data for all years as appropriate. Greatest changes were in updated factors for electricity.

³ Climate change impact from refrigerants released from equipment is calculated using factors from the GHG protocol. We collect data on the amounts of refrigerants contained in the equipment and calculate the releases using a factor from the British Refrigeration Association for probable leakage.

⁴ We did not have enough information to calculate climate change impact from inhaler use before 2006

Metric	2001	2004	2005	2006	2007
Water use and discharge					
Water (million cubic metres)	26.8	20.9	21.8	22.2	20.9
Municipal	15.20	12.77	12.82	12.87	12.26
Wells or boreholes	11.56	7.96	8.59	8.95	8.29
Other water ⁵	0.04	0.14	0.35	0.37	0.35
Wastewater volume⁶ (million cubic metres)	14.9	13.3	13.1	11.7	11.8
WW to recycling	0.22	1.15	0.62	0.62	0.58
WW to municipal sewer	5.35	5.26	5.52	5.06	5.77
WW to water bodies	9.34	6.87	7.00	6.05	5.45
COD after on-site treatment^{6,7} (million kilograms)	26.6	19.5	18.3	15.8	14.2
COD in recycled water	<.01	<.01	<.01	<.01	<.01
COD to municipal sewer	5.39	5.07	4.47	3.93	4.02
COD to water bodies	21.17	14.47	13.79	11.83	10.20
Waste generated and disposed					
Hazardous waste generated⁸ (million kilograms)	348.7	253.0	258.7	240.8	218.4
Hazardous waste recycled	287.91	182.38	193.68	170.93	150.03
Hazardous waste disposed	60.75	70.60	65.07	69.87	68.36
Hazardous waste incinerated with energy recovery ⁹	28.52	35.92	29.40	30.01	30.88
Hazardous waste incinerated with no energy recovery	29.09	32.94	34.30	39.36	36.92
Hazardous waste to landfill	3.13	1.74	1.37	0.50	0.57
Non-hazardous waste generated (million kilograms)	132.8	148.2	124.0	113.7	120.1
Non-hazardous waste recycled	79.34	103.99	83.82	76.98	81.73
Non-hazardous waste disposed	53.49	44.19	40.20	36.80	38.34
Non-hazardous waste incinerated with energy recovery ⁹	5.92	7.33	8.69	8.77	9.34
Non-hazardous waste incinerated with no energy recovery	12.05	9.42	7.79	6.24	5.90
Non-hazardous waste to landfill	35.52	27.45	23.73	21.79	23.10
Non-routine waste generated¹⁰ (million kilograms)	25.3	13.7	77.9	27.2	37.4
Non-routine waste recycled	2.29	6.80	39.97	11.10	23.03
Non-routine waste disposed	22.98	6.94	37.96	16.12	14.37
Non-routine waste incinerated with energy recovery ⁹	1.55	0.14	7.46	2.59	4.22
Non-routine waste incinerated with no energy recovery	0.24	0.20	0.39	0.72	0.74
Non-routine waste to landfill	21.19	6.60	30.12	12.81	9.42

Footnotes

⁵ Water from other sources includes recycled sources

⁶ We focus collection of wastewater and chemical oxygen demand data primarily on the major contributors; primary manufacturing operations, pilot plants, coating activities and sterile operations. Some sanitary waste streams are included if they cannot be separated from production wastewater streams or if they are significant

⁷ Chemical oxygen demand (COD), a measure of water pollution, is measured when the wastewater leaves our sites following any onsite treatment

⁸ We consider a waste to be hazardous if it is radioactive, bioengineered or biohazardous, or if it has any of the properties defined by the 1989 Basel Convention.

This includes flammability, explosivity, water or air reactivity, corrosivity, oxidising potential, acute or chronic toxicity, ecotoxicity or infection. Biological waste rendered non-hazardous after treatment is considered a non-hazardous waste. We focus collection of hazardous waste on the major contributors; primary manufacturing operations, pilot plants, coating activities and sterile operations

⁹ Incineration with energy recovery means burning the material and using the resulting energy

¹⁰ Non-routine waste includes construction and demolition rubble and is not included in hazardous or non-hazardous waste calculations

Metric	2001	2004	2005	2006	2007
Volatile organic compound emissions					
Volatile organic compound emissions¹¹ (million kilograms)	6.6	5.3	5.0	4.2	4.5
Top five solvents released (million kilograms)					
Acetone	1.23	1.11	1.15	1.03	0.93
Dichloromethane	1.73	0.96	0.87	0.85	0.74
Ethanol	0.28	0.53	0.46	0.44	0.62
Methanol	0.74	0.67	0.71	0.44	0.60
Toluene	0.41	0.19	0.06	0.09	0.26
Ozone depleting substances¹²					
ODS releases from production (thousand kilograms)	183.5	58.9	51.0	32.9	14.9
CFC-11 releases from production	88.55	12.63	14.11	19.35	3.22
CFC-12 releases from production	94.90	46.30	36.86	13.5	11.63
Ozone depletion potential of refrigerants released from equipment (thousand kilograms CFC-11 equivalent)	4.31	2.65	2.98	0.64	0.52
CFC-11 releases from equipment	0.56	0.93	1.62	0.42	0.37
CFC-12 releases from equipment	0.33	0.31	0.21	0.02	0.02
Other ODS from equipment	3.42	1.97	1.41	1.15	0.20
ODS releases from patient use of inhalers¹³ (thousand kilograms)	–	–	272.5	185.6	136.5
CFC-11 from patient use	–	–	76.15	51.85	18.14
CFC-12 from patient use	–	–	196.38	133.72	98.35
ODP of refrigerants contained in equipment¹⁴ (thousand kilograms CFC-11 equivalent)	–	–	–	23.40	18.79
Estimated costs and investments					
Operations and maintenance cost (million £)	41.5	43.2	39.3	33.6	31.1
Capital investment (million £)	24.4	9.5	12.1	9.7	16.5

Footnotes

¹¹ We focus collection of volatile organic compound emissions on the major contributors; primary manufacturing operations, pilot plants, coating activities and sterile operations

¹² Ozone depletion potential (ODP) from ozone depleting substances is calculated using factors from the Montreal protocol

¹³ Before 2006 we did not have information about inhalers produced in Asia so it was not included in ODP or GWP calculations until 2006

¹⁴ Before 2006 we did not have information about the amounts of refrigerants contained in equipment

Employment practices

Good employment practices are important to our business strategy and our goal 'being the best place for the best people to do their best work'.

Headlines

- Women accounted for 24 per cent of senior managers, and 37 per cent of all managers – up from 22 per cent and 36 per cent in 2006
- Minorities made up 20.1 per cent of employees in the US, and 19.1 per cent of our UK workforce – up from 19.8 per cent and 19.1 per cent in 2006
- Began implementation of our Operational Excellence programme to improve effectiveness and productivity, which includes restructuring and redundancies
- Reviewed our process safety strategy after an explosion at our Irvine site in 2006 and implemented a new process safety programme
- Certified three new sites to the international health and safety standard OHSAS 18001
- Over 25,000 employees at 172 sites worldwide have used our online ergonomics risk assessment tool during the past three years
- Reportable injury and illness rate improved by six per cent
- Energy for Performance programmes introduced, with over 1,500 participants to date
- Over 22,000 employees have participated in the team resilience process to date, resulting in a five year decrease in work-related mental illness by 60 per cent and in mental ill-health absence by 20 per cent

GSK employs over 100,000 people in 114 countries across the world. We aim to attract the best employees from a diverse range of backgrounds in each of the countries where we work. An inclusive workplace gives us a range of perspectives to draw on and helps us to anticipate the needs of the wide range of people who use our products. It also supports creativity and innovation, and makes GSK a more attractive employer.

Keeping our employees and contractors healthy and safe is a priority. As well as being the right thing to do, this improves business performance by increasing engagement and attendance, improving productivity and reducing healthcare and insurance costs.

Restructuring planned for 2007 – 2010

In October 2007, we announced an Operational Excellence programme to improve the effectiveness and productivity of our operations. This is a response to a more challenging business environment during 2007 and will bring annual pre-tax savings of up to £700 million by 2010.

The programme will include initiatives to streamline manufacturing, adapt our selling model and improve efficiency in R&D. Unfortunately, it will also involve a reduction in employee numbers across GSK. We will consult with employees and their representatives before we implement measures that will affect them, such as outsourcing, site closures and staff reductions. We will always speak to affected employees first (except where local regulations do not allow it) and then our works councils, trade unions and other employee representatives as appropriate.

We aim to treat our employees with dignity and respect and offer a wide range of support for all affected employees. This includes a competitive severance package and outplacement support such as assistance in finding alternative employment, career counselling and retraining. We will also work hard to maintain the morale of all other employees at GSK.

Employment policies

Our approach

Employee surveys

We monitor employee engagement through regular surveys. Our Global Leadership Survey has been conducted every two years since 2002 to track management views on a range of issues and is available in nine languages. The findings are compared against 46 top ranked companies from a range of industries, including pharmaceuticals, automotive, finance and energy.

Diversity and inclusion

Our value statement, the Spirit of GSK, states that 'we will value and draw on the differing knowledge, perspectives, experiences and styles resident in our global community'. Including talented people in the workforce, regardless of race, gender, sexuality, age and disability ensures we recruit and retain the best people for the job.

Global diversity and inclusion policy

Our commitment is set out in our global diversity and inclusion (D&I) policy, published on the GSK intranet. Our Corporate Executive Team endorses the policy and related activities such as our annual Multicultural Marketing and Diversity Awards, see page 103.

We have diversity champions in each business unit and D&I steering committees in the UK and US, made up of human resources and line managers with specific responsibility for diversity and inclusion. The committees run awareness campaigns and training sessions. GSK also monitors and reports on gender diversity in management in the UK and US.

We highlight the importance of diversity and inclusion through myGSK, our intranet site, and through frequent articles in our internal magazine Spirit. For example, in March 2007 Spirit ran an article explaining how we targeted *Os-Cal*, our vitamin D and calcium supplement range, at African American women over 50. These women are more likely to die following an osteoporosis related hip fracture than white women of the same age. The article described how African Americans often distrust conventional marketing so GSK had to devise another way of reaching the women. We held forums in African American churches to raise awareness about *Os-Cal*, which increased the number of households buying the supplement by a third. This highlighted the business benefits of understanding the needs of a diverse range of customers.

More information on our approach to diversity and inclusion is available in the background section of our [website](#).

Employee networks

Employee networks are an important element of our diversity and inclusion programme. They support professional growth and provide a forum where people from similar backgrounds can meet, discuss shared experiences and address any problem areas. This helps engage and empower employees.

GSK has networks for Asian, African American, Hispanic, gay, lesbian, bisexual and transgender employees. We also have networks for mature employees, young people and women in leadership. Each network has an executive sponsor who helps to set and achieve goals, obtain resources and promote the network's objectives amongst senior management.

The networks are an important source of expertise on diversity issues. GSK managers can engage with the networks to improve their understanding of employees from different backgrounds. Networks also help our media and marketing teams understand our diverse customers and stakeholders.

For more information on our approach to employee networks see the [background section](#) of our website.

Disability

We work to ensure people with disabilities can access the full range of recruitment and career opportunities at GSK. In the UK, we partner with the Employer's Forum on Disability and strive to be a 'disability confident' organisation. Disability confidence is a concept developed by the Employers' Forum to describe companies that create a culture of inclusion, remove barriers to access, and make adjustments to enable

individuals with disabilities to contribute as employees, customers and partners.

We hold the 'Two Ticks' symbol from JobCentrePlus, which demonstrates GSK's commitment to employing disabled people.

Employee development and talent management

Employees who receive training opportunities and regular performance appraisals are more likely to feel valued and engaged, in addition to gaining new skills. Our goal is to create a culture where every individual can perform to their full potential.

We provide work-related training courses for all employees, and leadership training for managers. Regular appraisals help us to identify training needs and support employees to set and achieve development objectives. Training is carried out within each business function and online, for example, through our myLearning intranet site in the US and UK. We also offer project secondments to help employees learn new skills.

We identify high performing employees and potential leaders in each business function through our annual talent management cycle. Talented individuals participate in leadership programmes and connect with senior management through programmes such as the Chief Executive Forum. Leadership development also includes '360 degree feedback', where managers receive feedback from their manager, peers and subordinates. In 2007 our theme for employee development was leadership with integrity, inspiration, energy and resilience.

Reward

Our share ownership schemes help to create a culture of ownership among our employees. In countries where share ownership options exist, there is a high level of participation. For example, in the UK 67 per cent of employees participate in our ShareSave scheme, and 85 per cent in our ShareReward scheme.

Internal communications

We have a range of internal communications channels, such as our global intranet site myGSK, and Spirit, our internal magazine. These keep employees informed about business developments and enable them to give feedback. We track the impact of our internal communications using employee surveys. Questions employees ask senior management in the Q&A section on myGSK are monitored to ensure we are aware of areas of concern. We track the numbers of readers of news stories posted on myGSK so we can assess their relevance to employees.

Employee consultation

It is important that we consult employees about changes that affect them. In Europe we discuss business developments through our European Employment Consultation Forum, which includes employee representatives from 27 EU countries.

The Forum works alongside national consultation processes. Representatives meet four times a year to receive updates and review proposals affecting the structure of the business. Senior executives address representatives from all countries at the annual meeting. This year Andrew Witty, our CEO-designate, and other business leaders spoke on issues including the growing importance of the GSK vaccine business, and opportunities presented by new products in the R&D pipeline.

We also discuss issues through national consultation forums. For example, the UK Information and Consultation (I&C) Forum consists of 15 elected employee representatives and seven managers and meets three times a year. In 2007 the Forum reviewed a range of policies including those on holidays, flexible working and smoking at work. The new appeals procedure in our redundancy policy was also reviewed.

The UK I&C Forum looked at our environment, health and safety (EHS) activity. It recommended that we do more to communicate our efforts in this area to employees. In response we included an article on our approach to climate change in Spirit, our employee magazine. We also broadcasted a 20-minute briefing in November with our Chairman, Sir Christopher Gent, to explain the reasons behind our climate change targets and what employees can do to make a difference. The broadcast is available to all employees on myEHS, our EHS intranet site. For more information on our efforts to raise awareness of EHS activity among employees see the [Environment section](#) of this report, page 76.

Our performance

Employee surveys

Our Global Leadership Survey has been conducted every two years. To read the findings of our most recent survey see our [2006 Corporate Responsibility Report](#), page 41.

Improvements from last year's survey

The results of our 2006 survey helped us identify two key areas for improvement – reducing unnecessary bureaucracy and increasing the visibility of management. We began a major drive to reduce unnecessary bureaucracy both in company processes and individual behaviour. Employees have been engaged on the issue through the 'Beating Bureaucracy' series of videos on the GSK intranet and a feature in Spirit, our internal magazine.

We will measure progress on the visibility of management when we have the results from the next Global Leadership Survey.

Diversity and inclusion

US inclusion and resilience survey

Every year since 2002 employees in the US have been randomly selected to complete an 11-question survey which gauges progress on inclusion and resilience. In December 2007, 44 per cent of the 1,200 selected employees completed the survey. The table below shows the key results of the survey, highlighting the highest and lowest satisfaction scores, as well as how we are responding to the results:

US inclusion and resilience survey			
	2006	2007	How we are responding
Highest levels of overall employee satisfaction			
I am confident I can keep up with the increasing pace of work	74%	80%	We are pleased our Resilience training programme has helped employees to manage their workload.
My workplace has a climate in which diverse perspectives are valued	76%	78%	We are pleased that our diversity and inclusion efforts have increased satisfaction in this area.
My manager demonstrates the ability to manage a diverse workforce	79%	77%	The main challenges in this area are an aging and increasingly global workforce. Our US Diversity and Inclusion Steering Team is developing training and resources around managing people from different cultures and generations.
Lowest levels of overall employee satisfaction			
Senior management shows by its actions that creating an inclusive environment is a top priority for GSK	59%	56%	Increasing senior management engagement is a top priority for our US Diversity and Inclusion Steering Team. The team is emphasising that senior managers should use their own supportive behaviour to lead by example.
In general, I am satisfied with my career progress	63%	61%	We attribute the slight drop in score to a decrease in satisfaction with career progress among more mature workers. The GSK US Prime Time Partners Network, our employee network which supports employees in mid to late-career, has made career development an important element in their 2008 programme. The US Diversity & Inclusion Steering Team will also address the issue in its Multigenerational Strategy.
I am satisfied with the information received from management on what's going on at GSK	64%	62%	We aim to increase satisfaction in this area by raising awareness among senior management of the importance of demonstrating an inclusive work environment.

Multicultural marketing awards

In 2007 we held our fifth annual Multi-Cultural Marketing and Diversity Awards, to inspire employees to find creative ways to reach a broader range of potential employees, customers and communities. Awards are given in categories such as Employee Attraction, Development or Retention, Multicultural Marketing and Sales, Community Outreach and Diversity Ambassador. There were 52 entries this year – 341 in total since the awards began in 2003. This year's winners included:

- An initiative to recruit more female talent to Vice President roles in global IT
- Minority recruiting initiatives at the National Black MBA Conference in US Consumer Healthcare
- A supplier diversity initiative in Global Manufacturing & Supply

Marketing to a broad range of consumers

In the US, three out of four African Americans and Hispanics are overweight or obese. This significantly increases their chances of developing life-threatening medical conditions such as diabetes and heart disease. In 2007, GSK launched *alli*, the first over-the-counter weight-loss treatment to be approved by the US Food and Drug Administration.

The marketing plan for *alli* specifically targeted diverse groups and three of the eight advertising agencies we used specialised in multicultural marketing. This helped raise awareness of the benefits of *alli* among groups disproportionately affected by weight related complications.

Gender diversity

We are pleased that the percentage of women in management has increased incrementally in the last four years. However, there is still a lot of room for improvement.

Gender diversity in management 2007 (worldwide)

	Per cent of positions held by women				
	2003	2004	2005	2006	2007
A&B Bands*	20	19	21	22	22
C01 – C03**	31	33	33	34	35
C04 – C05***	37	38	38	39	40
Total for all	34	35	35	36	37

* Corporate Executive Team, Senior Vice Presidents, Vice Presidents

** Director grade

*** Manager grade

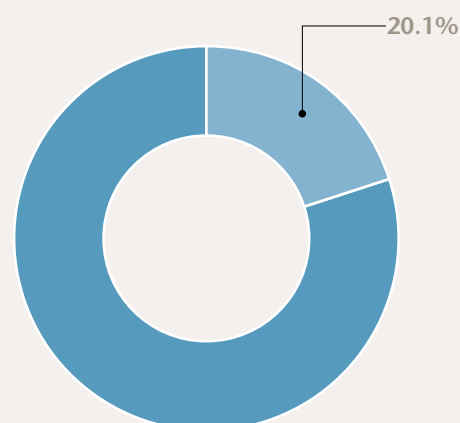
Gender equality in the workplace is affected by factors outside our control including the requirements of family life. Our flexible working policies help employees balance the demands of work and home life. They can be particularly beneficial for parents of young children. For example, we offer part-time working, job sharing and remote working.

In 2007, we held our 13th annual US and fourth annual UK Women in Science events. Entitled 'Daring to be Innovative in Drug Discovery and Development', these one-day events brought together over 400 women and men working in R&D. They gave participants the opportunity to celebrate their scientific accomplishments, share knowledge and develop professional networks. The Women in Science events also enhance our reputation as an employer of choice for women.

Ethnic diversity

In the US, minorities (defined as Blacks, Hispanics, Asians, Pacific Islanders, American Indians and Alaskan natives) made up 20.1 percent of our workforce, compared with 19.8 per cent in 2006 and 19.6 per cent in 2005.

Ethnic minorities (US)

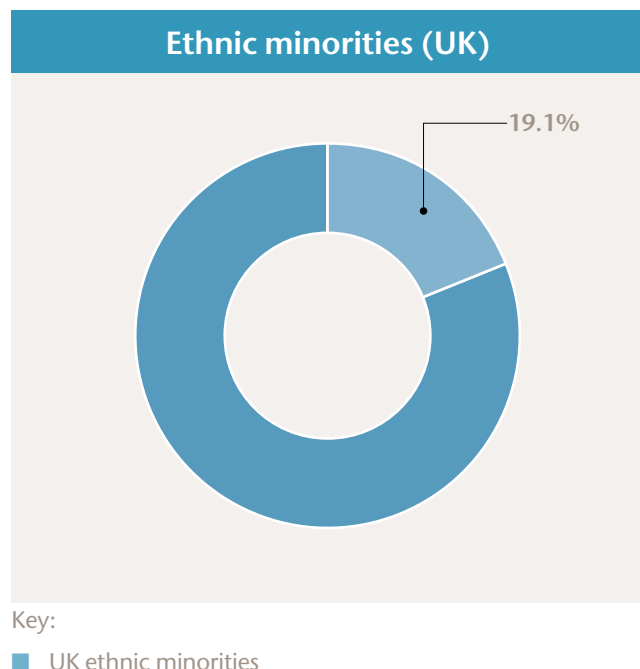


Key:

■ US ethnic minorities

In the UK, ethnic minorities accounted for 19.1 per cent of employees, compared to 18.3 per cent in 2006 and 16.8 per cent in 2005. To classify minorities we use the UK Commission for Racial Equality definition of ethnic minorities. This includes anyone who does not identify themselves as White British (this means people identified as White Irish, North American and European are included as minorities). Ethnic minorities accounted for 12.5 per cent of the UK population of England and Wales in 2001.

We also measure diversity in the UK by counting the number of employees that define themselves as non-white. In 2007, 11.8 per cent of employees defined themselves as non-white, compared to 11.6 per cent in 2006 and 11.0 per cent in 2005.



Employee development and talent management

Leadership training in 2007 included:

- Over 2,500 managers attended Leadership Edge workshops at over 30 sites worldwide
- 76 managers attended five 'Inspirational leadership' workshops
- 945 managers attended 'Hot topics – The power of full engagement'
- 850 managers attended 'Hot topics – We've got to start meeting like this'
- 174 managers attended 'Coaching master class'

Development

We require that all employees should receive an annual performance appraisal through our Performance and Development Planning (PDP) programme. Compliance with this requirement is measured at local level, but we know that more than two-thirds of employees received an appraisal in 2007. PDP assesses how well employees have implemented GSK business principles through their work. The appraisals impact on bonus payments and future career development.

Internal communications

Internal communication channels in 2007 included:

- Our global intranet site, myGSK, provides updates on GSK's business. It also has a Q&A section where employees can ask the Chief Executive and other senior executives direct questions about the business and issues that affect them.

In 2007 JP Garnier answered over 225 questions from employees. Employees can read GSK's position on key issues faced by our industry on the 'Be a GSK Ambassador' section of the site

- Regular web-broadcasts and town hall meetings are hosted by senior management at GSK for employees at our major sites. During 2007 there were 17 broadcasts and 59 town hall meetings from members of the executive team
- Spirit, our internal magazine, is distributed quarterly to over 33,500 employees throughout GSK
- Your Story, an online news story channel, launched in 2007 to enable employees to share their experiences at GSK. 19 stories were published during the year

Employment awards

- Hewitt and FORTUNE magazine 2007 Top Companies for Leaders Study – GSK ranked fourth in the top ten list for Europe and 17th in the Global Top 20 list, out of 549 participants
- GSK ranked fourth out of 100 companies in the Britain's Top Employers 2007 survey
- The Scientist placed GSK ninth in Best Places to Work for Industry award. The rankings are based on employee responses
- GSK awarded a perfect score (100 per cent) for Corporate Equality from the Human Rights Campaign Foundation in the US. Listed for the Best Places to Work for gay, lesbian, bisexual and transgender equality
- GSK named one of the '100 Best Companies' by US magazine Working Mother for the 16th consecutive year.
- GSK received a Gold H.E.A.L.T.H Award from the Singapore Health Promotion Board, to recognise commendable Workplace Health Promotion programmes.
- Business in the Community in the UK gave GSK an award for 'Excellence in health, work and wellbeing', for proactive attendance management, resilience and ergonomics programmes

Employee health, safety and wellbeing

Our approach

We have rigorous management systems to reduce the risk of harm to our employees and to help them stay healthy. Our ultimate goal is to eliminate all work-related injuries and illnesses. Supporting the health of employees helps increase energy levels, engagement and productivity.

Health and safety management

We manage health and safety through an integrated environment, health and safety (EHS) management system. This incorporates our EHS Vision, EHS and Employee Health Policies and 64 Global EHS Standards. Our EHS Plan for Excellence includes our strategy for improving EHS performance up to 2015.

For more information see the [EHS Management Section](#) in the background pages on our website.

Monitoring performance

We systematically assess and manage health and safety risks and performance. When incidents do happen we identify root causes and take action to prevent reoccurrence.

Our target is to reduce reportable injuries and illnesses by five per cent a year. We believe that addressing the causes of minor events will help eliminate risks and hazards, and prevent more serious occupational injuries and illnesses.

We conduct EHS audits at our sites at least once every four years and present the findings to the Audit Committee. We carry out more frequent visits at selected sites, depending on an assessment of risk and the issues raised by previous audits.

OHSAS 18001 certification

Twenty-three out of our 80 Pharmaceuticals and Consumer Healthcare manufacturing sites and one Consumer Healthcare R&D site are certified to the international health and safety standard OHSAS 18001. We have set a goal for all manufacturing sites to be certified by the end of 2010. In 2007, three new sites were certified. The certified sites are in Argentina, Brazil, China, Egypt, France, Germany, India, Japan, Kenya, Mexico, Poland, Saudi Arabia, Spain, Turkey, the US and the UK.

Training and awareness

Training helps to create a workplace culture where EHS is taken seriously. Employees who are responsible for managing health and safety issues at sites and business units receive regular training and in turn instruct employees in working safely.

One of the GSK EHS Standards addresses general training requirements and several of the EHS Standards require specific training. Safety programmes such as process safety and chemical exposure protection have training components. Sites develop and conduct training based on local needs and capabilities. Some use eLearning tools or locally available government or university sponsored training programmes and some business groups hold meetings that include training on safety topics such as:

- Process safety
- Chemical exposure protection
- Identifying risks
- Ergonomics
- Auditing

We raise awareness about EHS issues through:

- Employee bulletins
- Announcements on our myEHS and Employee Health Management Community intranet sites
- The CEO's EHS Excellence awards programme
- Health and Safety Week, held every October. In 2007, over 70,000 employees from 49 sites in 30 countries took part. Activities included online risk assessments, fire drills and fire hazard training and training sessions on manual lifting and safety signs

See more on our [EHS Management System](#) in the background pages of our website.

Health and safety risk management programmes

Our health and safety programmes focus on five key areas:

Ergonomics

Musculoskeletal illnesses and injuries are some of the leading causes of time away from work. We have set a target to reduce the number of these illnesses and injuries by five per cent each year through to 2010.

Better workplace and job design (known as 'ergonomics') can prevent musculoskeletal injuries and illnesses, increase efficiency and productivity and reduce costs. For example, in 2007 one of our ergonomics improvement teams (EIT) made changes to a production line that lowered operational costs by £140,000 by reducing waste and increasing product output. We have 60 EITs, made up of representatives from across business functions that work to improve ergonomics at manufacturing sites around the world.

Ergonomic principles are integrated into the design of major projects. Procurement teams take ergonomics into consideration when sourcing furniture and equipment.

We use workshops to increase ergonomics skills at our sites. Employees can access our intranet site, the Global Ergonomics Community. It includes an online computer ergonomics risk assessment tool (available in seven languages) which employees can use to assess their computer work and improve their workstations.

Chemical exposure

We plan to make 80 per cent of operations involving the handling of hazardous compounds 'respirator free' by 2010, meaning employees will not need to wear respiratory protective equipment for routine production tasks. We will achieve this by preventing the release of hazardous powder compounds in these operations. For the remaining 20 per cent of operations employees will remain protected by appropriate respiratory protective equipment.

We are conducting an air monitoring programme and have appointed eleven regional occupational hygienists to reduce exposure to chemicals.

See more on our approach to [occupational hygiene and control of chemical exposures](#) in the background pages of our website.

Materials hazard information

We provide information to enable our customers to handle and dispose of our products safely. For more information see [safety data sheets](#) on our website.

Process safety

Our process safety programme aims to ensure that safety is built into all manufacturing, research and development processes through hazard identification, control and risk assessment.

In 2007, we completed a review of our process safety strategy, launched in 2006 after two employees were injured in an explosion at our factory in Irvine, UK. Using the results of this review we began developing an integrated Process Safety Management System (PSMS) that will be implemented at all GSK sites. This will include:

- A design code containing new standards for process safety
- Assessments against the new standards, with gap analyses, risk assessments and remediation processes
- Process safety indicators
- Steps to embed process safety in the overall EHS Culture
- New training and competence programmes and process safety tools
- Appointing a Director of Process Safety

Driver safety

Our sales representatives spend significant amounts of time driving and are therefore at risk of being involved in road traffic incidents. We aim to reduce this risk as much as possible through our worldwide driver safety programme. This includes our EHS Essentials, instructions and guidelines on driver training, vehicle selection, risk assessment and accident reporting. We have a motorbike rider safety manual for employees in countries where we provide motorbikes or scooters for employees.

Around three quarters of GSK's commercial businesses have extensive driver safety programmes in place, including driving licence checks, guidance on the use of mobile phones, safety training, tracking and reporting incidents. We plan to extend these to our other sites.

Healthy high performance

We aim to create a high performance culture that enables peak business performance. Employees who are physically energised, mentally focused and have a clear sense of purpose show sustained improvements in performance. We use the term 'resilience' to describe the skills and behaviours needed to be successful in a high pressure working environment. These skills and behaviours also help to prevent mental illness, which is a leading cause of ill-health resulting in time away from work.

Resilient employees can manage work and home demands effectively and minimise the adverse health affects of stress. This benefits both the individual employee and the company.

Our team resilience programme is available in 12 languages and has been used in 41 countries. Employees and managers identify sources of particular pressure and agree actions to address them. This helps teams to take control of their work and avoid excessive pressure which can lead to stress. Since the programme began in 2003, over 22,000 employees around the world have taken the workplace assessment resulting in a five year decrease in work-related mental illness by 60 per cent and in mental ill-health absence by 20 per cent.

Our energy programmes, Personal Resilience: Manage Your Energy, Power Your Performance, and Energy for Performance, support personal development and help individuals fulfil their potential. Participating employees report improvements in emotional, physical, spiritual and mental performance. In 2007, 600 employees participated in the programme, and a total of 1,500 have participated since it was introduced in 2005.

We believe that the GSK senior managers play a crucial role in creating a healthy, high performing culture by acting as role models for other employees, and they are enthusiastically participating in our Energy for Performance programme. We plan to expand the programme in 2008 to make it available to a wider range of employees.

Wellbeing and work-life balance

GSK offers programmes globally to improve the health of employees and their families. This increases employee commitment and productivity and reduces absenteeism and the cost of ill health. Support varies between countries and according to local needs. It may include benefits such as on-site health and fitness centres, flexible working arrangements, immunisations, disease screening, family support services and health education.

Our programmes support local healthcare services by focusing on disease prevention and increasing access to innovative and proven treatments. For example, in many markets we offer free immunisations, cancer screening, help with smoking cessation and regular medical checkups. We also assist employees suffering from chronic diseases to ensure they have access to the correct long-term treatment and support. This helps prevent costs from health-related time off work.

Positively managing HIV in the workplace

We provide information and training to staff on HIV/AIDS prevention and addressing problems of stigma relating to HIV/AIDS. We also provide HIV/AIDS testing and treatment programmes to employees and their families in countries where these are not easily available via government healthcare programmes. We do not discriminate against prospective and current employees based on HIV status and do not require testing as a prerequisite for employment.

Flu pandemic preparedness

The World Health Organization (WHO) has stated that pandemic flu poses a serious threat to global public health. We have invested more than \$2 billion in expanding seasonal flu vaccine manufacturing capacity, developing a pandemic flu vaccine, and increasing production capacity for the anti-viral flu treatment *Relenza*. See the [Access to medicines](#) section of this report on page 39 for more details.

We have also implemented pandemic flu plans covering 400,000 people in over 130 countries. These will help protect employees and their families and support business continuity. Employees can now receive free seasonal flu vaccinations in almost 80 countries – twice as many countries as last year. We are also partnering with our key suppliers to take action to prepare for a flu pandemic.

Our performance

Audits

In 2007, we conducted 33 EHS audits.

The best performance on health and safety issues was in:

- Business continuity planning
- Employee and external stakeholder involvement
- Managing engineering & process change
- Emergency planning & response
- Employee information & training
- Fire protection
- Material hazard identification & communication

Sites were generally weakest on:

- Chemical exposure
- Resilience and mental wellbeing
- Process safety
- Risk assessment processes
- Ergonomics

In 2007, auditors found nine 'critical findings'. These indicate a high probability of incidents with potentially serious consequences. These involved serious deficiencies in:

- Inadequate control of flammable substances or conditions (five findings)
- Inadequate control of chemical exposures (two findings)
- Lack of adequate fall protection (one finding)
- Deficiencies in managing construction contractors (one finding)

Sites are monitored to ensure that appropriate actions have been taken to mitigate risks and ensure ongoing compliance.

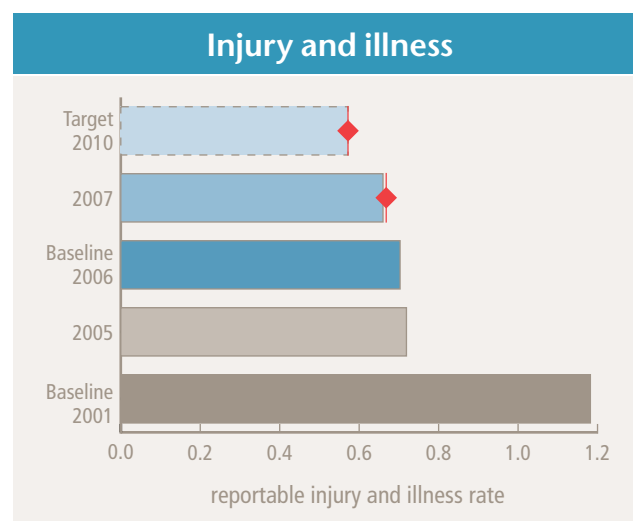
None of the critical findings has become 'delinquent' (greater than 90 days overdue).

There were no instances of regulatory non-compliance in 2007 and GSK received no fines.

For more information on EHS audits see the [Environment](#) section on page 78.

Injury and illness rates

Targets	
Target	Progress in 2007
To reduce the reportable injury and illness rate by 5 per cent each year to the end of 2010	7%
To reduce the reportable musculoskeletal illness and injury rate by 5 per cent each to the end of 2010	5%



Key:

- ◆ Target
- Current data
- Historical data

Injury and illness	
Year	injury and illness rate
2001	1.18
2005	0.72
2006	0.70
2007	0.66

Our main measure is the reportable injury and illness rate. We also measure the number of days lost from injuries and illnesses. This provides an indication of the severity of the incidents, although it is only a rough guide.

Data cover GSK employees and contract workers who we directly supervise. We report separately data for contractors who work on GSK sites but supervise their own staff (see data table on [page 111](#)). Contractors' data are not externally verified.

Data are collected from all of our 80 Pharmaceuticals and Consumer Healthcare manufacturing sites, 13 of our 14 operational vaccine manufacturing sites, all 25 Pharmaceuticals and Consumer Healthcare research and development sites, all three major office locations, all 14 offices with more than one million work hours, all seven of the main sales groups and 59 smaller offices.

In 2007, we recorded 947 injuries (992 in 2006) and 331 illnesses (380 in 2006), a total of 1278 incidents. This is equivalent to a rate of 0.66 reportable injuries and illnesses per 100,000 hours worked. Of these:

- There were 386 injuries and 242 illnesses without lost time, a rate of 0.32 injuries and illnesses without lost time per 100,000 hours worked.
- Working time was lost in 561 injuries and 89 illnesses, (51 per cent of incidents) a rate of 0.33 lost time injuries and illnesses per 100,000 hours worked.
- There were 10,840 lost calendar days from injuries and 3956 calendar days lost from illnesses, a rate of 7.6 calendar days lost per 100,000 hours worked.

The overall reportable injury and illness rate and the ergonomic injury and illness rate have improved in line with the target, but the lost time injury and illness rate has not improved.

GSK's injury and illness performance placed us in the third quartile of a benchmark industry group in 2006 which means we need to improve.

2007 highlights:

At 82 sites in 42 countries, there were no lost-time injuries or illnesses during the year. In addition: fifteen sites worked one million or more hours without a lost time, injury or illness. Two sites achieved five million hours without a lost time, injury or illness and one site achieved eight years without a lost time, injury or illness.

Driving accidents

There were 183 driving accidents, which resulted in two fatalities. 128 of the accidents resulted in lost time. These accounted for 23 per cent of lost-time injuries.

Chemicals exposure

Exposure to chemicals resulted in three respiratory or skin-related lost-time incidents and 94 cases which did not result in lost time. Together, they accounted for 29 per cent of work-related illnesses.

So far none of our sites has achieved 'respirator free' status.

Injury and illness causes

Injuries with and without lost time arise mainly from slips, trips or falls, over-exertions or strains and motor vehicle accidents. Lost-time illness stems mainly from mental ill health and musculoskeletal problems (primarily repetitive strain injury). Musculoskeletal illness is also the main cause of reportable illness which does not lead to days off work.

Fatalities

Five year trend in employee fatalities	
2007	2
2006	3
2005	1
2004	2
2003	5
2002	3

In 2007 a GSK employee in Canada died in a road accident while on company business after losing control of her car in icy conditions. A passenger was also hospitalised with serious injuries. A GSK sales employee in China died in a road accident while on company business.

Two employees of GSK contractors in the UK and Pakistan also died. In the UK a warehouse contractor died in a forklift truck accident and the Pakistani construction contractor died after falling through a service shaft. We have fitted all unused service chases with temporary covers to prevent further incidents.

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

Amputations

Three employees lost finger tips due to accidents at work:

- An employee in the US attempted to clear a machine jam by putting his hand into an access to a propeller. This resulted in serious cuts to a finger tip which was later amputated
- An employee in the UK lost a finger tip after it was crushed by a bucket being loaded onto a dumper truck
- An employee in India got his gloved hand entangled in the chain working of a machine and was drawn into the sprocket causing the loss of a finger tip

All of these amputations resulted in renewed emphasis on machine guarding programmes at these sites.

Ergonomics

Musculoskeletal illness and injury is one of the leading causes of time away from work. We have set a target to reduce the number of these illnesses and injuries by five per cent each year through to 2010.

Over 20,000 employees at 172 sites worldwide have used our online ergonomics risk assessment tool during the past three years to assess their computer work areas, resulting in a significant decrease in computer related injuries and illnesses.

Team Resilience

By the end of 2007, 22,161 employees from over 1,400 teams have completed the training programme. Since 2002, the programme has reduced work-related mental illness by 60 per cent and decreased absence relating to mental ill health by 20 per cent, saving £2.4 million. A one-year follow up with teams completing the programme reported a 10-15 per cent reduction in fatigue and frustration and a 15 per cent increase in self-esteem and job satisfaction.

Employee behaviour is the key to a safe workplace

In March 2006 there was an explosion at our Irvine site in the UK causing serious injuries to two staff. Safety in the workplace is of paramount importance to GSK and improving safety at Irvine is now a key priority.

Our approach includes improving [process safety](#) (see page 106) and addressing workplace culture and attitudes to safety at work.

A team from the factory safety committee developed the Irvine EHS Behaviour Standard. This defines the simple but important steps employees can take to improve safety, for example the importance of reporting all safety incidents, however small, including near-misses. It also covers the negative behaviours employees should avoid.

All employees have been taught about the new Behaviour Standards through:

- Briefing sessions for managers, team leaders and supervisory staff
- Training sessions for all site employees, clearly explaining key safety steps
- Distribution of a booklet, postcards and z cards (a small pocket sized information card) explaining the new standards
- A feedback system to help us address areas of uncertainty and clarify any employee concerns
- An interactive introduction for all new employees

We put a particular focus on ensuring employees understand their own individual responsibilities for strong safety performance. For example, every employee was asked to commit to improve at least one aspect of their safety behaviour and every team produced an action plan for addressing safety issues during 2007.

In 2007 the site achieved its highest levels of EHS performance in its 33 year history including the lowest ever recorded 12 month lost time injury and illness rate.

The future

In 2008, we will implement the Operational Excellence programme. This will bring a number of challenges, including providing support for employees whose jobs are affected and maintaining the morale of all employees, see [page 100](#).

Health, safety and wellness

By the end of 2010 we aim:

- To reduce the number of ergonomic illnesses and injuries by five per cent each year through to 2010
- For 80 per cent of operations involving the handling of hazardous compounds to be 'respirator free', meaning employees will not need to wear respiratory protective equipment for these operations
- For all manufacturing sites to be certified to the international health and safety standard OHSAS 18001



How will your Operational Excellence programme affect employees?

Regrettably our Operational Excellence programme will result in job losses. We will do everything that we can to support affected employees including providing a competitive severance package and providing outplacement support such as assistance in identifying alternative employment, career counselling and retraining.

We will also work hard to ensure the programme does not have a negative impact on the morale of other staff. We have produced a guide for managers with information on how to support employees during the uncertainty, anxiety and stress encountered during major organisational change.

Why are there still relatively few women in senior management at GSK?

We are pleased that the percentage of women in management has increased incrementally over the last four years. However, we recognise that there is still room for improvement especially in senior management positions and in roles within historically male-dominated disciplines such as science and engineering. We aim to attract more women to GSK and to support the career development of existing employees through our flexible working programmes. These help employees balance the demands of their personal and professional lives. We also have diversity champions in each business unit as well as employee networks which support career development for women and minority groups at GSK.

Your health and safety performance is below the industry average, what needs to improve?

We know this is an area where we need to improve. We are launching a project in 2008 to identify causes of injuries and illnesses and improve our engineering controls and management systems. We also plan to address the human factors that affect health and safety – individual behaviour and workplace culture. We have launched a toolkit to help our sites assess their health and safety risks and identify appropriate interventions. It will be piloted during 2008.

Links

In this report:

- [Employee volunteering](#)
- [Ethical conduct training](#)
- [Human rights and EHS in our supply chain](#)
- [Environmental performance](#)

In the background section of our website:

- More information on our approach to diversity <http://www.gsk.com/about/diversity>

Metric	2001	2004	2005	2006	2007
Injury and illness – GSK employees¹					
Hours worked (millions)	191.1	195.6	196.6	195.2	194.6
Fatalities	5	2	1	3	2
Number of injuries with lost time ²	751	524	552	554	561
Calendar days lost – injuries ³	16,268	12,746	11,607	11,105	10,840
Number of illnesses with lost time ²	133	92	81	96	89
Calendar days lost – illnesses ³	5,304	3,006	3,034	5,263	3,956
Number of injuries without lost time ⁴	1,079	432	464	438	386
Number of illnesses without lost time ⁴	315	352	316	284	242
Injury and illness – non GSK employees					
Hours worked (millions)	17.0	20.6	22.8	22.8	25.9
Fatalities	0	1	2	0	2
Number of injuries and illnesses with lost time	69	84	98	89	59
Calendar days lost	754	1,369	1,575	968	924
Number of injuries and illnesses without lost time	1	293	275	375	400

Footnotes

¹ The health and safety data cover both our employees and contract workers who are directly supervised by GSK employees. We report a snapshot of injury and illness performance for the year. Cases may be added after the end of the year so prior years may change

² Lost time injuries and illnesses are work-related injuries and illnesses that are serious enough to result in one or more days away from work

³ Lost calendar days are the calendar days, including weekends, that employees could not work because of work-related injuries and illnesses. This helps to provide a measure of the severity of injuries and illnesses

⁴ Reportable injuries and illnesses without lost time are incidents that did not result in time away from work (lost time). They are more serious than first aid but not serious enough to result in lost time

Our work with communities

We donate money, time, medicines and equipment to support communities around the world. Our programmes are long term and focus on addressing healthcare challenges, in line with our business priority to increase access to medicines. We also invest in improving science education.

Headlines

- Donations valued at £282 million – equivalent to 3.8 per cent of Group total pre-tax profits

Global programmes

- January 2008 marked 10 years of commitment to eliminating lymphatic filariasis (LF), a disabling tropical disease, with more than 400 million treatments administered so far
- 150 million albendazole tablets worth £14 million donated in 2007 to help eliminate LF, bringing the total to date to almost 750 million
- 15 years of Positive Action, supporting communities living with HIV/AIDS

Disaster relief

- Donated life-saving antibiotics and other medicines valued at £16 million to support disaster and humanitarian relief in 107 countries

We believe donating some of our profits to benefit communities is part of being a responsible company. We do not use community investment as a way of generating sales but it does bring long-term business benefits by:

- Improving our reputation amongst the communities we help and wider stakeholder groups
- Boosting employee morale and pride in GSK
- Raising GSK's profile
- Building good relations with governments

For more information on our efforts to increase access to medicines see the [Access to medicines](#) section on page 32.

Our approach

We focus our cash investment on areas relevant to our business and the skills of our people. This is where we can bring the most benefit to communities and GSK.

We look for innovative ways to:

- Prevent disease
- Build capacity of community organisations
- Promote education, particularly in science

Donations are made at group level and by individual sites. Most of our community investment is made through non-profit organisations that are experts in healthcare and education. These organisations are best placed to understand local community needs and to target resources effectively.

We donate key medicines to support low-income patients in the US and under-served communities around the world. We have also committed to donating as many albendazole tablets as are needed to eliminate LF (elephantiasis), a disabling disease prevalent in over 80 countries.

Healthcare

We support major public health initiatives in the developing world. For example:

- We are a founding member of the Global Alliance to Eliminate Lymphatic Filariasis (GAELF)
- Positive Action is our programme to reduce stigma and improve capacity for HIV prevention and treatment
- Our African Malaria Partnership is supporting *Mobilising for Malaria*, an advocacy initiative to generate political commitment and funding to combat malaria
- PHASE – Personal Hygiene And Sanitation Education – is our education programme to prevent diarrhoea-related disease through hand-washing
- We donate essential antibiotics and other products for disaster relief and to support basic healthcare provision in impoverished communities

Access to medicines is not just an issue for the developing world. Even in the developed world some patients cannot afford medicines. This is particularly a problem in the US where many people do not have health insurance. Our Patient Assistance Programs and discount savings cards help patients on low incomes afford the medicines they need. For more information see [Access to medicines](#).

Education

We support education in the UK and the US to interest young people in science and encourage them to pursue a science-related career. We also support programmes that develop young people's understanding of science, enabling them to make sound decisions about the science-related issues they meet in everyday life such as healthy eating, vaccinations and the value of medicines.

Measuring impact

We want to make sure that the money we give has the greatest possible impact. We ask our partner organisations for our larger programmes to report annually on progress of the projects supported by GSK. We review results with our partners and identify any changes required to achieve the programmes' objectives.

Final impact and outcome reports for the projects we support are often not produced until after our funding has come to an end. For this reason, we have reported on the impact of some of the GSK-supported projects that finished before 2007.

Our performance

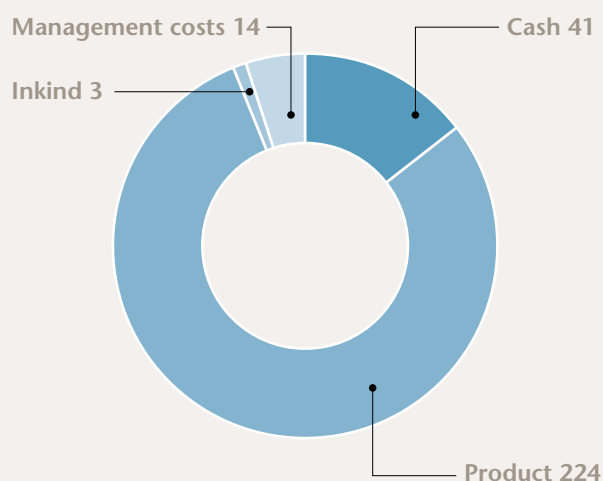
Total giving

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.

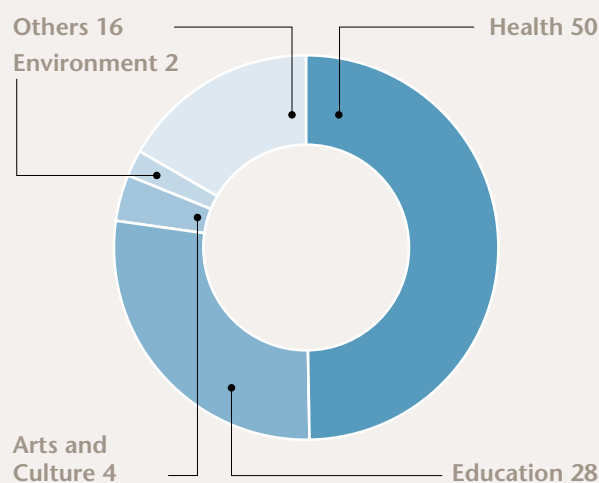
The majority (almost 70 per cent) of the value of our community investment is made through product donations to low-income patients in the US. In addition, we gave £16 million (\$30 million) of humanitarian product donations for under-served communities around the world and donated albendazole tablets valued at £14 million (\$29 million) for the LF elimination programme.

We belong to the UK's London Benchmarking Group and the US Committee Encouraging Corporate Philanthropy (CECP). We report our non-cash donations in line with CECP guidelines which value our medicines at wholesale acquisition cost in line with other pharmaceutical companies. Wholesale acquisition cost is the wholesale list price, excluding discounts. For comparative purposes, the \$388 million at WAC value for the Patient Assistance Programs, the biggest proportion of our giving, would equal about \$330 million at average wholesaler discounted price.

Method of giving (£million)



Breakdown of cash giving (%)



Preventing disease

Infectious diseases kill millions of people in the developing world each year. They cause misery, cost billions of dollars and slow economic growth. Preventing infection is more effective than treatment and can have significant social and economic benefits.

Our vaccines play a significant role in preventing disease, see page 24 and page 25. GSK also supports innovative community approaches to disease prevention that are tailored to local settings and needs. For example:

Micro-finance and malaria

Education is vital to disease prevention. GSK funded the NGO Freedom from Hunger between 2003 and 2006, helping them to bring financial services and education to poor women in West Africa. An impact study assessing the results of the project was completed in 2007.

Freedom from Hunger works with micro-finance institutions (MFIs) which provide small loans to help women start businesses or buy essential equipment. The women meet regularly to make loan repayments and learn about issues from basic business skills to child nutrition and family planning. The MFIs found that malaria was frequently the cause of clients missing their repayments. With support from GSK, Freedom from Hunger was able to develop a malaria education curriculum to improve prevention, early detection and treatment of malaria in the home.

The education programme has now been introduced in six West African countries reaching 173,000 households with 865,000 household members. The impact study conducted with two rural banks in Ghana has shown that:

- After taking the course people are more likely to recognise the cause of malaria and to know that both pregnant women and children under the age of five are most vulnerable

- The course improved knowledge of preventative measures and increased ownership of mosquito nets (half of the people who took the course owned a mosquito net at the time of the impact study, a larger proportion compared to the surrounding area)
- Participants were twice as likely to have a mosquito net re-treated with insecticide in the last six months; women of reproductive age and children under five were more likely to be sleeping under an insecticide-treated net
- Almost 90 per cent of participants indicated they shared messages from their malaria education sessions with other members of their community

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

Malaria drug distribution in Uganda

Uganda suffers from high levels of malaria transmission. Children and pregnant women are particularly affected – malaria causes almost half of deaths in under-fives and almost a third of deaths during pregnancy. Between 2003 and 2006, GSK supported the Uganda Malaria Partnership Programme (UMPP), a consortium of four NGOs (AMREF, URCS, Africare and CDFU), which aims to reduce malaria deaths among pregnant women and children. A report on the impact of this project is now available.

The programme had three main objectives, to:

- Encourage people to seek treatment when household members (particularly young children) show symptoms of malaria
- Advocate the use of insecticide-treated nets (ITN), especially among pregnant women and children
- Increase preventative treatment among pregnant women using antenatal care services

UMPP took an innovative approach, training 1,100 individuals to provide basic treatment and raise awareness in their communities. Known as community drug distributors (CDDs), they were taught how to recognise high fever and treat patients, how to store drugs safely and when to refer patients to healthcare clinics. CDDs also raise awareness of the importance of protecting vulnerable household members. The projects covered three districts of Uganda, with a total population of around 230,000.

UMPP also raised awareness through leaflets, radio broadcasts, posters, drama shows, films and role-plays performed in schools and at community meetings.

The final project evaluation study showed that CDDs have been very effective in treating childhood malaria:

- In one of the districts 18,505 children with fever were brought to CDDs, of whom 64 per cent were taken there within 24 hours of the onset of symptoms, compared to a national average of 24 per cent
- 95 per cent of these children fully recovered and only 0.1 per cent died, compared to the national level of 4 per cent

- Treatment for children with fever was higher in all three districts covered by the programme compared to areas not included, and two of the districts achieved 80 per cent treatment rates for under fives

The radio broadcasts were particularly successful in encouraging people to buy and re-treat ITNs and encouraging pregnant women to seek intermittent presumptive treatment. However, despite some increase in the use of ITNs, cost was still a barrier. UMPP succeeded in bringing tax cuts for ITNs, but they still remain too expensive for many Ugandans.

The Ugandan Ministry of Health has put the UMPP strategy in its 2006-2011 malaria control plan. UMPP hopes the government will provide funding to continue the programme in the three districts as well as expanding it to the rest of the country.

Eliminating lymphatic filariasis (LF)

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.

LF is a disfiguring disease prevalent in tropical countries, which is transmitted by mosquitoes. It can lead to severe swelling of the arms, legs, breasts and genitals and thickening of the skin. LF is one of the world's leading causes of permanent disability with more than one billion people in over 80 countries (over 15 per cent of the world's population) at risk of infection.

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 with albendazole. We estimate that 24 million babies born in the treated regions have been spared the risk of contracting LF.

An additional benefit is that the albendazole dose given for the LF programme doubles as a treatment for intestinal worms. These parasites particularly affect children, causing anaemia and malnutrition, and stunting growth. We estimate that since the beginning of the LF programme, almost 120 million albendazole treatments have been administered to children and over 99 million to women of child bearing age. This will have had a positive impact on the overall health of those infected with intestinal worms.

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 (MDAs). These countries are monitoring their populations to evaluate the impact of the programme on the disease. An assessment conducted in Egypt and Vanuatu, a Pacific island nation, showed that LF has been eliminated in most areas of these countries.

Programmes in Tanzania, Madagascar and Burkina Faso have also reported an unexpected benefit of the MDAs, beyond reducing infection rates. In these countries, some patients infected with LF are describing an alleviation of symptoms after the MDAs, including reduced leg swelling and a reduction in frequency and length of acute attacks (spells of feverishness and loss of energy). Acute attacks are the most incapacitating symptom of LF.

Elimination in Vanuatu

Vanuatu is an archipelago of 83 Pacific islands with a population of around 221,500. In 1998 a survey showed that LF was transmitted in many parts of the country and approximately five per cent of the population was infected. In 2000 the country launched a mass drug administration (MDA), where 83 per cent of the population was treated with albendazole tablets donated by GSK as well as diethylcarbamazine (a non-GSK drug). Between 2001 and 2004 Vanuatu conducted a further four MDAs. A survey conducted after the fifth and final MDA showed that the proportion of people infected with LF had fallen to just 0.17 per cent. No infection was detected among children under five born since the start of MDA. Vanuatu appears to have successfully reached the goal of basic elimination and may no longer have to conduct annual rounds of mass drug administration. A further 11 Pacific island nations hope to eliminate LF by the year 2010.

Building community capacity

Lack of healthcare infrastructure – including clinics and trained healthcare professionals – and cultural attitudes are significant barriers to treatment in many developing countries. We support initiatives that help overcome stigma and build the capacity of communities to combat disease.

Positive Action

The 15th anniversary of Positive Action, GSK's programme to support the communities most affected by HIV/AIDS, was marked in 2007.

Positive Action works with community organisations to counter the ignorance and stigma surrounding HIV through outreach, education and advocacy. Since it was established in 1992, it has provided \$70 million, funding projects in 60 countries across Africa, Asia, Latin America and Eastern Europe.

Discrimination against people living with HIV/AIDS is a significant barrier to treatment. In some communities disclosure of HIV positive status can cause a person to lose their job, their home, face domestic violence and be ostracised from their community.

In Kenya, fear prevents many HIV positive people seeking treatment and some will travel long distances to avoid being seen going to a local clinic. Positive Action is partnering with the African Medical and Research Foundation (AMREF), the Network for the Empowerment of People Living with HIV and AIDS in Kenya (NEPHAK), and the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF) to help people get the care they need within their own community through the Zingatia Maisha (Positive Life) programme. This involves members of community groups who are living with HIV, helping to increase referrals and adherence to treatment. The community groups also work to reduce stigma by educating communities and health centre staff about HIV/AIDS.

Zingatia Maisha has been running for two years and has brought more acceptance among healthcare providers and local communities, reducing the fear of coming forward for testing and treatment. For example, treatment adherence rates are as high as 92 per cent in some clinics. Over the three years of the project 38 health facilities will take part.

HIV/AIDS is a growing problem in Asia, with India now ranking second to sub-Saharan Africa as having the most HIV infections, and parts of China seeing transmission rates comparable to Africa. Access to HIV therapies and knowledge about how to use them correctly will be critical to avoid an HIV/AIDS epidemic in Asia.

Positive Action is supporting amFAR's TREAT Asia programme to improve treatment literacy projects in China, Thailand, Vietnam and Cambodia. This reaches some of the poorest members of society. For example in central China, TREAT Asia is working to improve treatment rates among people living with HIV/AIDS who were infected by contaminated needles after selling their blood to supplement meagre incomes. This has caused the deaths of half the population of some villages. To overcome the challenge of low literacy levels the programme uses education materials based around pictures. TREAT Asia provides training so that local NGOs and health organisations can take on the literacy programmes after the project comes to an end.

Positive Action grants are also helping to raise awareness of HIV in Vietnam, where lack of knowledge about transmission and treatment options are among the factors behind a rising HIV/AIDS pandemic. It is estimated that more than 260,000 Vietnamese people are HIV positive. The Asian Community for AIDS Treatment and Advocacy is training people to manage infections so that they can educate hundreds of others. In the second phase of the programme 200 people attended 16 treatment literacy training sessions and another 700 people took part in 20 self-help group meetings.

Supporting science education

Our education programmes help make science more relevant to young people, stimulating their interest in science and supports the training and development of science teachers.

US

The success of our business relies on being able to recruit talented individuals. In the US, the number of students choosing science subjects is falling. Most 4th and 8th graders lack proficiency in either reading or mathematics and only about two-thirds of all 9th graders graduate from high school within four years. Students who do receive diplomas are often unprepared for college or the modern workplace. With 77 million baby boomers soon to retire the country faces a significant skill shortage.

GSK is a leading sponsor of the Institute for Competitive Workforce (ICW), a collaboration between businesses and the US Chamber of Commerce that aims to improve education in the US. In 2007 the ICW published 'Leaders and Laggards', a report into the performance of US public schools. The report used a score card to rank public school systems in all US states based on a number of measures including the relationship between spending and student achievement. It focused on academic outcomes that relate to key business skills: innovation, flexibility, management and fiscal prudence.

The report has raised awareness among state and national governments about the need to improve US education and has identified the states where reform is most needed. After the report was published governors and state legislators invited representatives from the US Chamber and the ICW to present the findings of the report and to give feedback on how to improve performance. The ICW also held events to encourage business leaders to get involved in supporting education reform.

UK

After school clubs help broaden the interests and experiences of young people, but these often focus on sports or arts rather than science. CREST Star Investigators, developed by the British Association for the Advancement of Science and funded by GSK, aims to redress this balance and get young people involved in science-based activities.

The UK-wide programme offers schools and other organisations such as the Brownies and Cubs activity packs for use in after-school clubs. These activities encourage children to solve scientific problems through exciting practical investigations. The pack contains activities at three different levels, and children are awarded a certificate when they complete each stage.

By 2010, we aim to have 5,000 schools and 55,000 children taking part. Since the programme started in September 2007, 1,400 packs have been ordered.

The future

These are some of our community investment plans for 2008:

- We will donate up to 300 million tablets of albendazole, our anti-parasitic drug for the prevention of lymphatic filariasis, 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 (the community area) at the International AIDs Conference in Mexico
- Our financial support for Mobilising for Malaria will come to an end and we will target our support on a new malaria programme
- We will continue to expand PHASE, our hand washing programme to prevent illness from diarrhoea-related diseases. This will include introducing PHASE to the Millennium Village project in Africa which aims to find ways to employ science-based inventions to meet the Millennium Development Goals
- We will extend our European partnership with Hole in the Wall, an organisation that provides therapeutic recreation for terminally ill children, and will assist them in expanding facilities in the UK
- We will grow our successful US 'Science in the Summer' education programme making it available in libraries in both Philadelphia and North Carolina
- Through our continued support for US Children's Health Fund, the Referral Management Initiative will be launched in Philadelphia

Preparing for when GSK funding stops

Most of our programmes run over a number of years, recognising that it takes time to build change. But from the start we plan for what will happen at the end of our funding.

Justine Frain, Vice President Global Community Partnerships, discusses how GSK helps organisations get results and prepare for when funding comes to an end:

'There are many communities around the world in need of support so we can only fund individual projects for a limited time period. We work hard to bring results over the life of a project (usually around three years) and to help organisations win funding from other sources to continue their work.

We don't want to be a grant making organisation that just hands over money and walks away – we work closely with community organisations at every stage of a project. From the start we require our partners to work to a budget to make sure funding is spent effectively and produces the right results.

We ask our partners to demonstrate achievements by producing an annual progress report. These reports do take time to compile, but as our partnership with African Medical and Research Foundation (AMREF) shows they can help attract new donors. AMREF was one of our first partners in Personal Hygiene And Sanitation Education (PHASE), our hand-washing programme to prevent illness from diarrhoea-related diseases. We supported an independent evaluation and encouraged AMREF to focus on measurement and evaluation. The data they gathered showed real evidence of success and enabled them to secure €9 million of EU funding to expand the programme to other countries.

But things don't always work out so well and despite the best efforts of both partners some projects don't attract alternative donors. There are also many other factors beyond our control. A few years ago we started a malaria education and awareness project in the Sudan, with the hope of showing positive results that would attract funding from other sources such as the World Bank. Civil war, floods and difficulties getting into the country meant at the end of the project our funding was not completely spent as originally intended, and we had to find another way it could be used. We have to manage such frustrations around unforeseen obstacles, and accept that even plans that are well thought out can quickly change.'

Links

In this report:

- [Access to medicines in the developing countries](#)
- [Our role in preventing disease](#)

On our website:

- www.gsk.com/community
- www.positiveaction.com
- www.gsk.com/education

Other resources:

- Global Alliance to Eliminate LF www.filariasis.org
- AMREF www.amref.org
- Freedom from Hunger www.freedomfromhunger.org
- Crest Star Investigators www.the-ba.net/the-ba/ccaf/creststarinvestigators

Data summary					
Access to medicines	2003	2004	2005	2006	2007
Number of countries supplied with GSK preferentially priced ARVs ¹	56	57	56	51	31
Number of <i>Combivir</i> and <i>Epivir</i> tablets shipped (millions) ¹	16.2	66.4	126.3	86.3	85.0
Number of generic ARVs supplied under licence from GSK (millions)	–	–	–	120	183.0
GSK <i>Combivir</i> not-for-profit price (\$ per day) ²	1.7	0.65	0.65	0.65	0.54
Voluntary licences granted to generic manufacturers for GSK ARVs (cumulative total) ³	–	6	7	9	9
Value of products donated through GSK Patient Assistance Program in the US (£ millions)	125	203	255	200	194
Research and Development					
Expenditure on R&D (£ billions)	2.8	2.9	3.1	3.5	3.3
GSK animal research facilities accredited by the Association for Assessment and Accreditation of Laboratory Animal Care ⁴	7	10	10	10	10
Number of trials published on the GSK Clinical Trial Register (cumulative total)	–	143	2,125	2,760	3,089
Ethical conduct					
Number of employees completing certification to the GSK Code of Conduct	9,000	9,600	>12,000	>12,000	>14,000
Number of contacts through our ethics compliance channels ⁵	–	2,580	3,644	5,363	5,265
Employment					
Women in management grades (%)	34	35	35	36	37
Ethnic diversity – people of colour (US, %)	19.5	19.5	19.6	19.8	20.1
Ethnic diversity – ethnic minorities (UK, %)	–	14.8	14.9	18.3	19.1
Lost time injury and illness rate (cases per 100,000 hours worked)	0.30	0.30	0.30	0.33	0.33
Environment					
Number of contract manufacturers audited	28	35	41	36	55
Energy consumption (million gigajoules)	20	19	20	19	19
Water consumption (million cubic metres)	23	21	22	22	21
Ozone depletion potential from metered dose inhalers (tonnes CFC-11 equivalent) ⁶	782	464	273	186	136
Ozone depletion potential from production (tonnes CFC-11 equivalent)	72	59	51	33	15
Ozone depletion potential from refrigeration and other ancillary uses (tonnes CFC-11 equivalent)	3	3	3	1	1
Volatile organic compound emissions (thousand tonnes)	6	5	5	4	4
Global warming potential from energy sources (thousand tonnes CO ₂ equivalent)	1,756	1,667	1,716	1,688	1,667
Hazardous waste disposed (thousand tonnes)	58	71	65	70	68
Community investment					
Total community investment expenditure (£ millions)	338	328	380	302	282
Value of humanitarian product donations, including albendazole (£ millions)	116	57	41	38	30
Number of albendazole tablets donated for prevention of lymphatic filariasis (millions)	94	67	136	155	150

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 delivery 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 offsite post office box (in the US).

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

Global Compact index

GRI index

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