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<<Unidentified Analyst>>

Hello, everyone and thank you so much for joining us today. I have the pleasure of introducing our first speaker today and I think you're in for real treat. Emma Walmsley has been GSK's CEO since April of 2017. She is also a member of the GSK Board. Prior to this she was the CEO of GSK Consumer Healthcare, which is a joint venture between GSK and Novartis from its inception or creation in March of 2015. And she has been a member of GSK's corporate executive team since 2011. She joined GSK in 2010 with responsibility for Consumer Healthcare for Europe.

She is one year into her tenure and she will be sharing how she has progressed GSK's strategy, priorities and culture. This is a particularly timely topic and this is the first time that she will actually describe in detail, her long-term approach and creating value for both shareholders and for society. With particular focus on how she defines a contract of trust as a core priority within GSK and why this is key to GSK's sustaining long-term performance.

Recently GSK shared at an investor update, commentary on its performance and its new approach to R&D. Today, however, she will not be discussing those particular topics in detail. This is an opportunity for us to hear and discuss her views on long-term things. I turn it over to you Emma.

<<Emma Walmsley, Chief Executive Officer, GlaxoSmithKline>>

Good morning and thank you very much for the opportunity to be with you here today. At GSK, everyday we create medicines, vaccines and consumer healthcare products that improve the health of millions of people in more than 150 countries around the world and it's an exciting time for the company and for our industry. The global healthcare market is growing at a CAGR of nearly 5% in the last 10 years and the future of healthcare innovation is very bright.

Science and technology are transforming the way we research diseases and improving how patients are diagnosed and treated. Rapid advances in digital technologies, especially in the field of data analytics are enabling researchers to explore and interpret ever largest volumes of biological data more efficiently and effectively than ever before, unlocking new scientific opportunities to develop new medicines and new vaccines. And at the same time in both developed and emerging economies, there is of course rising demand for healthcare innovation, both from the aging populations of North America and Europe and of course, the rapidly expanding middle classes in Asia.

But there were also some very clear challenges for us to navigate. In the context of the economic and political uncertainty is facing many governments today. Healthcare budgets across the world, including of course here in the U.S. are under pressure. And both public and privately funded

organizations are reviewing the affordability of healthcare innovation. And while this is an era where many more of us are living longer and healthier lives than ever before, at least half the world's population continues to lack access to essential health services. And even those of us who have access to resources and the ability to pay, including the people here with us this morning, we can all be impacted one day by diseases that doctors don't yet know how to treat.

And all of us and the generations to follow face health risks from the silent threats of known and emerging diseases, some with pandemic potential as well as the rising burden of the emerging antimicrobial resistance. And of course, beyond these healthcare dynamics, our industry also faces the longer-term societal trends that impact all industries such as the shift towards automation and urbanization and the growing reality of climate change.

So we should expect material shifts in the way the healthcare industry operates over the coming decade. Much of this will be in response to exciting and rapid advances in technology that are triggering changes in everything from how we develop and manufacture our products to who our competitors are and how we interact with patients, consumers and healthcare professionals. And so to run a successful business in this exciting, but uncertain context obviously there is no doubt we must take a long-term, but still agile approach.

The purpose of GSK, the reason that we exist is to help the people to do more, feel better and live longer. Since becoming CEO last year and working very closely with the board, I've defined a simple long-term goal for our company, to be one of the world's most innovative, best performing and trusted healthcare companies. And this is supported by a long-term strategy across our three global businesses, enabling us to treat disease with prescription drugs, prevent it with vaccines and keep people well with consumer healthcare products, accessing growth opportunities in specific market segments in both established and emerging economies.

And our strategy is powered by two of our greatest strengths, all significant scientific technical and regulatory expertise, which we can apply to the creation of differentiated quality healthcare products and secondly, the strength of our people. We have a passionate team of 100,000 employees committed to our special purpose of improving the health of millions of people around the world. And to deliver on this purpose and support and protect our business growth, leaders at all levels of GSK need to be pursuing the same long-term aims. Aligned and investing behind them strategically and proactively managing risks and threats to their delivery.

So in that spirit, I've established a new balance set of three enduring priorities for everybody at GSK, and also set goals around a necessary shift in culture. Everybody in our company is focused on delivering these three priorities of innovation, performance and trust to improve health around the world and of course deliver sustainable, improved financial returns for our shareholders. Innovation is our first priority and actually the most powerful driver of the other two: performance and trust. Our ability to generate scientific breakthroughs is our number one source of long-term growth. And we know that step change, scientific progress offers the greatest patient impact and long-term value.

GSK's innovation has already helped millions of patients over many decades, particularly through our global leadership in respiratory medicines in HIV and vaccines, but R&D is an

expensive long-term investment. It accounts for most of our capital allocation and takes around 10 years to bear fruit. Less than 10% of drugs that undergo clinical testing ultimately become medicines. And addressing this inefficiency and improving effectiveness is therefore critical. And yet, the way that R&D has been done in our sector has not changed for many years, but today, there was a convergence in science and technology that provides a transformational opportunity.

Our understanding, first of all of the science related to the immune system in a development of human disease is rapidly advancing, suggesting a much broader clinical and commercial opportunity for novel immune modulatory therapies. In addition, access to large gene databases coupled with technology advances in data analytics now offer the opportunity to direct drug discovery and development to a new generation of targets with significantly increased probability of success.

In July, as was mentioned earlier, our new Chief Scientific Officer, Dr. Hal Barron announced a new approach to our R&D, which is going to drive simply put the multiplier effect of science, times technology, times culture to bring a stronger pipeline for patients and the next wave of growth for GSK. 27 as of the 42 assets in the pipeline today are already immuno modulators and we'll be focusing even more on the basic biology of the immune system and genetically validated targets.

We're also delighted therefore to announce this summer a collaboration with 23 and me, the world's largest genetic and phenotypic resource to improve target selection and potentially accelerate clinical trial development. Combining this new science with exciting advances in technology also such as functional genomics, machine learning and cell and gene therapy is going to further improve the pace and probability of success for our pipeline over the many years ahead. And, critical to the success in innovation is going to be the question of culture as an accelerator, but I'm going to come back to that later as it certainly matters for the whole company.

Moving to performance, we've set out and remain confident in our ability to deliver our performance outlook for group sales and earnings growth to 2020 across all three global businesses. We believe the structure of the group brings benefits in terms of stability of earnings and continuity of cash flow, but each of our three businesses must continue to deliver competitive performance in its own right and have access to adequate capital investment.

Pharma offers the greatest potential for creating long-term value, but requires significant upfront investment of capital and is subjects also, of course to patent expiries. Pharma remains our biggest business in the company. It offers the highest return and is my priority with a particular focus on R&D at its heart as well as more competitive commercial execution. Our world leading vaccines and consumer businesses offer more steady and reliable sources of growth. Vaccines in particular has very high barriers to new competitors and it's also business that is becoming more than a onetime populational healthcare intervention administered to babies.

For example, our new vaccine SHINGRIX provides a step change in the prevention of shingles. And this is expected to drive significant growth for the company. In the U.S. alone, as the

preferred shingles vaccine for adults 50 and over more than a 100 million people are eligible to receive it. Remember, one in three of us is going to suffer from shingles at some point in our lifetime, so that means you or the person on your left or right.

Trust is our third and equal priority. Not an adjacency, but right of the core – at the core of the company. To, remain a high-performing company for the long-term, we don't just need great products. We need to run our business the right way. All companies want to be trusted, but trust is absolutely central to our business, because everyday all over the world, people are literally trusting us with their health, sometimes their lives or the lives of the people they love. Nothing is more precious, it is an enormous responsibility.

Scientific experts and healthcare professionals need to trust our science and the integrity of our data. Over recent years, we've implemented new models of engagement with healthcare professionals and we will continue to evolve this model to best meet their needs and ensure appropriate transparency. People, patients, and consumers, people must be able to trust in the reliable supply, quality and safety of our products.

As we harnessed the transformational potential of human data in our healthcare innovation, patients rightly need to be able to trust in how we protect and use their personal information and more broadly society at large needs to trust that as a company we will act with the best intentions. And that we're committed to reducing our environmental impact.

These are all fundamentals we absolutely have to get right. But we're also realistic in our understanding that trust needs to be earned over the long-term based on what we do, not just what we say. And we know firsthand at GSK how easily it can be broken. And the best way to earn trust and protect our license to operate is to perform flawlessly in a transparent way, always guided first by the interest of our patients.

During the past decade, GSK has been a leading voice within our sector in terms of taking a proactive approach to addressing global health challenges and tackling issues such as the transparency of clinical trials data. We are very proud of this heritage and now it's why many employees feel GSK is a special place to work. We're now today for the first time setting out three areas of focus on new trust priority.

The first of these is using our science and technology to address health needs. This starts at the very core of our company's purpose with significant new medical innovation, and I've already talked about our new R&D approach to deliver that over the long-term. But we also have enormous potential and a responsibility to impact global health, particularly in the prevention and treatment for infectious diseases where we have world leading scientific expertise that is clear need.

Each year, nearly 6 million children under the age of five die from preventable causes. I can't say that out loud without thinking about my own children. Nearly all of these 6 million children's deaths occur in the developing world and the majority from preventable infectious diseases. We have this proud history in the field and in the last 12 months alone, we've seen

significant developments in three global health products. First, the malaria vaccine in partnership with PATH in entering pilots in three African countries next year.

Second, a newly approved medicine KRINTAFEL the first treatment for prevention of relapse in P. vivax malaria in more than 60 years. Earlier this month, a couple of weeks ago, I was in Manaus in Brazil seeing for myself. The impact of this disease on communities and hearing about our partner malaria medicines venture is going to how they're going to work to enable access to this innovation.

And thirdly, working in partnership with a specialist biotech Eris and with funding from the Bill & Melinda Gates Foundation, DECIT and others, we're currently conducting one of the largest clinical trials for a much needed TB candidate vaccine, the biggest killer in infectious diseases. And we're testing to see if this could help protect adults with latent TB from developing pulmonary TB. We're very much looking forward to the interim results of our Phase 2 study, which will be published soon.

And we've been thinking very carefully about the best way to approach our work in global health and we're now going to be focusing specifically on infectious diseases impacting children and adolescents in the developing world specifically in malaria, HIV/AIDS and TB.

And the work is going to follow three principles being science lead, sustainable for our business and prioritized the impact. And we're taking this new approach, which means doing fewer things better so that our investments in global health research leads to the greatest possible impact over the long-term.

Our contribution is of course our science, but we know from experience that getting global health innovation from the lab to patients in developing countries is hard. This last mile of execution is one of the most challenging to achieve. And even where price is not a barrier, there are complexities in getting new products registered and distributed when there is limited or no healthcare infrastructure. And we know this from our experience with the malaria vaccine or the gel which we developed to treat umbilical cord infection in developing countries.

There are significant costs and risks associated with full clinical development, registration, manufacture and market access that we cannot carry alone for these global health medicines and vaccines, which is why we want existing and new partners to help us find new solutions for translating scientific discoveries into on the ground benefit for the most vulnerable patients. And it's why we want new funding mechanisms that recognize the appropriate contribution of all players.

Now, it's very easy to classify global health research as not for profit, unnecessary adjacency or bolt-ons R&D but we believe this is wrong. There are clear business benefits to doing this work. First, is science is transferable. For example, the adjutant used in our SHINGRIX vaccine, or we just upgraded the forecast for this year to £600 to £650 million pounds in its first year of launch. It's been so successful that adjuvant was discovered through our malaria vaccine development program.

Second, returns can be generated via products or regulatory incentives, like the Priority Review Voucher we secured when the FDA approved KRINTAFEL our malaria medicine is now being applied to an accelerated filing for new HIV drug. And finally, most important, there is a great internal return that should never be underestimated. Our commitment to making an impact on global health matters a great deal to the people who work for us and with us. And it's a strong motivator for brilliant people to join and stay with our company.

Our second priority to build trust is to focus on making our products affordable and available to perform for shareholders and improve the health of millions of patients. We have to make our high quality products affordable and available and getting pricing wrong means trust is lost. Our customers, whether in the U.S., Brazil, India, or Kenya, need to trust in how we set our pricing and when pricing adapts to their country's healthcare needs. We're committed to making our products available at responsible prices, but are sustainable for the long-term growth of our business.

In the U.S. our net prices decreased 5% in 2017 and have decreased 1% on average over the last five years. In developing countries where the access challenge is most acute, we have a mix of approaches to support patient access. Our advanced market agreements with GAVI allow us to supply vaccines for preventing rotavirus, gastroenteritis and pneumococcal disease, the symptoms of which include meningitis, blood infection and pneumonia. And this at a low cost for these developing countries in return for guaranteed supply volume.

Our voluntary licensing approach to HIV has improved access to the innovative medicine dolutegravir. Half of the children under 15 living with HIV don't have access to ALVs. And yet we've been granting licenses to our patents that enable generic manufacturers to supply these formulations to people living with HIV across all least developed, low income, lower middle income, and Sub-Saharan African countries. And these types of solutions along with product donations such as the donation of albendazole to help eliminate lymphatic filariasis are going to support our aim of reaching 800 million underserved people with our products by 2025.

And beyond enabling access to our own products, we also support programs in developing countries that drive disease prevention, awareness and improve access to health services whether via positive action programs in HIV, or our ongoing partnership with Save the Children. It's through partnerships like these that we aim to reach further 12 million people by 2025.

And our third and final trust builder is to be a modern employer. We have an extremely diverse employee population, whether that be geographically, demographically, in terms of the types of jobs people do, or in terms of their age and stage of life. I feel very strongly that there is enormous potentials to be unleashed within our organization over the long-term, if we can make the most of that diversity of knowledge, experiences and styles and create a stimulating working environment for our people that allows them to thrive and do great things at work and at home.

We want GSK to be a place that attracts the most talented people because they know if they work here, they can be themselves, feel good in terms of their physical and mental wellbeing, work flexibly how and where they want and keep growing through personal development. They should

have great managers. We support them. And they should have the technology and systems that help them get their work done.

In support of this ambition we're investing in our line managers' capabilities to consistently foster inclusive, healthy, and stimulating working environments for their teams. We're also stepping up our public commitments regarding diversity and inclusion within our business. We're prioritizing investment in our employees' health and wellbeing, for example, globally offering employees and their family members' important preventative healthcare services, including immunizations, cancer screenings and prenatal care at little or no cost, a service which has already been taken up by over 119,000 people in 93 countries around the world. Being a modern employer is absolutely critical to recruiting, retaining and getting the best from the best people.

So to finish, I just want to come back to culture. And the culture change we are very focused on because I believe that this is what has the power it owes. Internally, we still have this as IPT to the power of C. I believe that setting the culture is one of the most important jobs of the CEO. And never has that been more true than in a world that is changing as fast as it is now.

At GSK, we are very proud of the purpose of our company and our values. But we do need to shift our culture to compete more effectively in this shifting world. And we've added new expectations for every employee to give our company more performance edge so we can drive innovation with smarter risk taking and more focus in R&D. So we can deliver better performance with agility, pace, competitive benchmarking and clearer decision rights and responsibilities and so we can build trust with transparency and accountability for all our stakeholders.

Culture is a key topic for the Board, my own team and the wider group of senior leaders. In fact, yesterday, earlier this week, I've been with my top 120 discussing our accountability in London to lead the culture we need. But also listening to panels of our employees on what they want to see more from us. It is a very inspiring and humbling experience to listen to our frontline people from Japan, or South Africa, or Pakistan, or North America, telling us about how they want to see more role modeling, more storytelling, more straight talk and more visibility from their leaders. And to be reminded, we work for them too.

It takes time to change culture. It's definitely a long-term commitment and it's critical to get it right. We're appointing for with half of our top 120 and nine out of 13 of my leadership executive team, we enrolled. We're incentivizing it with a new approach to recognition and reward, and we're measuring it rigorously. So we can deliver our goals, bring competitive returns to shareholders. And most of all, deliver on our purpose. The reason for GSK to exist, to help people, patients and consumers all over the world, do more, feel better and live longer. Thank you very much.

<<Unidentified Analyst>>

How much time we have for Q&A here? 10 minutes for Q&A.

Q&A

<Q>: Always worry about a hot mic, not a cold mic. But anyways, first question from Tim Youmans back there from Hermes in the UK.

<Q – Tim Youmans>: We applaud GSK's innovation-driven efforts at access to medicine and the Davos roadmap for antimicrobials and other stakeholder efforts. As you emphasize and you tilt the company's long-term capital allocation towards innovation and R&D, what are the drivers that give you the confidence that this long-term capital allocation tilt, as opposed to things like returning cash to shareholders, will pay off?

<A – Emma Walmsley>: Well, I mean, it stopped [indiscernible] (0:28:29). That is fine. Can you hear me? I think the way we best create value is through innovation. Our best shots are been able to invest in our global health agenda is by generating growth through our pipeline. That's the reason that we exist. And I just would remind everybody that in actually our trust priority the first one has to be about science and innovation and the very first way that we generate trust is by step change innovation.

And I really want to put that back at the heart of our capital investment priority and where the efforts of the organization is focused and why do I believe that that's going to pay off long-term? Because first of all, we've put incredibly talented people in place, a new leadership, and yesterday – in fact, no, Monday, I think it was, Hal announced his new leadership team. He's taken a pretty bold and brave new approach to R&D that I've talked about, which is built on some of the core capabilities of the company.

I talked about the assets that are all based on the immune system. But also trying to harness the power of these incredibly new technology breakthroughs, so we're confident in the R&D strategy, we're very confident in the new leadership and we're putting our money, where we think we create the most value.

<Q – Tim Youmans>: Thank you for that.

<Q>: Thank you. I just want to remind folks that are watching this online that you can now thanks to the services of Wall Street Webcasting. Submit your questions through slido.com #CECP. So as we discussed before, so we've got, but any other question in the room? Bruce?

<Q>: [Indiscernible] and modern languages has helped you see has the normal timeframe of regulation take into horizons?

<A – Emma Walmsley>: That's a wonderful question. I know one of the great things about education system in my country is that. No, you didn't have to always studying STEM at beginning. It's a question that has come up before in terms of, I didn't grow up in the pharma industry and I'm not a scientist. But I have – depending on what you think the job of the CEO is, I have surrounded myself, whether it's with the board or with the leadership team as well by deep experts in these subjects.

And I believe that the job of the CEO is to define a strategy, set a culture, appoint the best people possible and focus on capital allocation. And I'm not sure where the classes and what languages sets you up for that. But I've had quite a journey between the late 80s and now with some experiences along the way.

<Q>: [Question Inaudible]

<A – Emma Walmsley>: Well, it certainly gives you a more objective perspective.

<Q>: Next question, Erika Karp.

<Q – Erika Karp>: So with regard to capital allocation, there always going to be trade-offs. So I'm curious to know when you think kind of high level with your board and board committees on kind of a materiality matrix, what matters most? And then you think of your capital allocation decisions, where do they come together? Is there a consistency there with regard to the trade-offs you have to make, in pursuit of the long-term strategy?

<A – Emma Walmsley>: Well, I think, where they come together, we spent, again, I believe it's one of the most important jobs of both the Chief Executive and the board and indeed the executive team, spend time on capital allocation. Because you can write all the strategies you want, you don't put your money where you're setting your priorities with the right criteria around returns. Then it's just a presentation.

So we spent a lot of time discussing what the capital allocation priorities should be. And I laid those out in my first couple of months in the job and we've stuck to those resolutely. Our number one priority is investing in the future long-term growth of the company. At the heart of that being our biggest business, pharma and R&D, because that's where we can generate the best returns on invested capital.

And arguably over the last decade, although we've built up these very powerful world leaders in vaccines, we're the number one vaccines company in the world and also consumer healthcare. We haven't focused as much on the innovation engine, which is where we regenerate the most value both for society and for shareholders over time. So it became very clear that that's what we absolutely want to prioritize and everybody's united around that.

Secondly, we had wanted to buy out for those of you that know the company well, an outstanding put. Novartis as referred to earlier, we had a joint venture with Novartis that was an outstanding put that could've run for a very long time. And I was delighted that we were able to purchase the asset. And then we also upgrade our outlook for that business that we know so well.

And then also investing in vaccines capacity because we do see that as a tremendous growth engine with high barriers to competitor eventually for the company so long-term growth first then comes the question of returns to shareholders in the form of dividends. They do matter to a lot of our shareholders and it was very important. They were distributed as a function of free cash flow, and to initiate a new dividend policy but seconds to investing in the growth of the company.

And then lastly, any large scale M&A obviously with the right kind of strict discipline around returns. We lay that outright from the beginning, of factors discussed at length through the appointments to see a process. We lay that outright from the beginning and we've been sticking to that reasonably resolutely with the governance, you'd expect both at an executive team level and also with the board. So far just a little bit of point of trade-off. I actually think we got pretty strict alignments around that. Thanks for the question.

<Q>: We have a question online here that has two thumbs up. So is GSK considering the impacts of climate change on global health needs in the future?

<A – Emma Walmsley>: So a great question. And I spent most of the time today talking about the – when I was talking about the trust in general, on the three main trust builders for us, science and innovation and access and affordability and modern employer. But underneath this trust framework also sits some really important fundamentals, which are – all other things, you would expect in terms of security of supply, are the right kind of governance around compliance, data security. And the way we communicate with healthcare professionals and transparency, but also the environmental responsibilities that we have.

We see this is kind of non-negotiable deliveries – deliverables. And actually since 2010, a pretty considerable progress has been made between 20% and 25% reduction on things like our carbon impact or our water usage. And we are as part of this framework making some new commitments to reduce by 2030 by another 25% are – against both carbon and water, not just an operating carbon but across the value chain and going zero waste to landfill as well by 2030.

So there's a lot of renewed commitment around our responsibility, like many global multinationals and all things environmental. It's a very interesting question in terms of the impact of environmental on global health needs, because as a respiratory company. One of the challenges that we have is around propellant usage in inhalers. And there is a trade-off involved in terms of making sure that you really are focused on life saving drugs that people need, whether from us or frankly from the generics that operates in the same space and the impact from a carbon point of view.

And we are working a lot from the both R&D and manufacturing side of things to see how we can help address that problem. But it's not easy, when you move from a metered dose inhaler, however, to the dry-powder inhaler, which is a transition in the portfolio we're looking at, that's 24 times less carbon impact. So there's some work to be done, but it's not an easy one.

<<Unidentified Analyst>>

Well, thank you for your time and for a great presentation.

<<Emma Walmsley, Chief Executive Officer, GlaxoSmithKline>>

Thank you very much.