

**The Importance of Trust:
Building an Ethics-Based Brand**

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CHECK AGAINST DELIVERY

Thank you, Helene and thanks as well to the Ethics Centre for inviting me to speak to you today.

The first half of the title of my speech is “the importance of trust”. That is a bit of a truism. Everybody **knows** that trust is important. It is the grease that keeps the gears of society turning smoothly. Without trust, those gears grind to a halt. Nothing moves.

So, I think we can all agree that trust is important. We can also agree that trust has to be earned. And finally, we can agree that trust in some of the most important institutions in our modern society is on the wane.

Examples are plentiful, but let’s narrow the focus a bit to the corporate world.

The public’s trust in the financial community was shaken badly by the U.S. mortgage-backed securities fiasco and the resulting global credit crunch and recession it triggered. Indeed, Time’s Person of the Year for 2011 was The Protester, and one of the people profiled by the magazine was the person who began the Occupy Wall Street movement.

But faith in corporations was already on the ropes well before 2008 from scandals like Enron, WorldCom, AIG and closer to home, Hollinger, Bre-X and Nortel.

The fact is that institutions have a social contract with the public that they serve. When that contract is breached -- when institutions behave badly or carelessly and betray the trust that has been invested in them – they compromise their license to operate.

We’ve all at one point or another thought that: “If I ran my life the way ABC Company runs its business, I’d be either bankrupt or in jail.”

The expectation that corporations should behave like responsible individuals has some roots in corporate law. While they are not “natural persons” – that is, human beings -- they are recognized as “legal persons” under the law. They have rights and responsibilities like people, they can exercise these rights and they themselves can be held accountable for violating those rights and responsibilities. Corporations can sue or be sued, take on debt, enter contracts, own property and so on.

Corporations were accorded many of the rights and privileges of real persons for a reason. They were designed to serve the needs of people and society, not the other way around. They are not simply abstract legal structures put in place to shield shareholders from liability. They should have values – and these values should be designed to address the needs of all of their stakeholders, customers, suppliers, employees and shareholders.

Corporations share many of the rights and privileges of individual people. So, like people, society has the right to expect them to behave morally and ethically.

This broad perspective on duty of care places pressure on Canadian corporations to act as “persons”. They must consider the consequences of their actions on a constituency that is wider than merely their shareholders.

With some notable exceptions that I mentioned earlier, this approach has served us well. One example that leaps to mind is the fact that our banks remained healthy and solvent throughout the recent global recession when financial institutions around the world were in crisis. Strong corporate governance that includes good working relationships with regulators, tough capital adequacy rules, risk policies that take a balanced approach between profit-making and financial stability – all proved to be invaluable in maintaining the health of our banking system, in mitigating the impact of the recession and in advancing the broad interests of our society.

So now let me move to the second half of my speech title: building an ethics-based brand.

I'm going to use my company and my industry as a case study because it is what I am most familiar with. But the principles of building an ethics-based brand, and the lessons learned by GSK, are certainly applicable to other companies and industry sectors.

It is no secret that the research-based pharmaceutical industry has some trust issues. Just take a look at the following headlines from years past.

These trust issues constitute a major risk to our business. They are a risk to our continuing ability to research, develop and commercialize the kind of innovative medicines that have vastly improved public health for society, and the quality and quantity of life for individuals. In short, the repercussions of pharma's trust issues reach far and wide.

A key trust issue historically has been the industry's sales practices – specifically what was seen as a too cozy relationship between drug company sales representatives and the medical community. Another closely related trust issue involves medical education conducted by pharma companies. Many argue that there is a conflict of interest when for-profit drug manufacturers provide medical education on their products to healthcare practitioners. Indeed, there are faculties of medicine in Canada that have simply closed their doors to pharma representatives.

Frankly, controversy around sales practices and medical education were becoming an impediment to our ability to work with the medical community, academia and other key partners in the Healthcare Community. It was preventing us from building trust with all of them.

GSK's response to the controversy is simple – we have made a clear distinction between our scientific activities, such as how we support medical education, and the legitimate promotional activities we engage in as a for-profit pharmaceutical company. In practice, this means that moving forward:

- GSK will ONLY invest in medical education provided by medical or scientific professional organizations through congress sponsorships and educational grants;
- Medical Education content will not be developed or implemented by GSK so as to remove the appearance of any undue influence;
- All of GSK's medical education investments will be managed exclusively by our Department of Medical Affairs; and

- No member of GSK’s Sales and Marketing team will be involved in initiating or implementing medical education.

We have taken these steps to further strengthen our robust set of principles and standards to ensure we can continue in partnership with the medical and academic communities. At the same time, we will not back away from our legitimate role in providing vital information around our products – their benefits, side effects, who should take them, and who should not. It is in the best interests of patients for us to continue in this role.

Other trust issues arise from the fact that we are a for-profit company operating within a public, non-profit healthcare system. That is a dichotomy in the minds of many people. You all know the pressure points in the system. On the one hand, patients and drug plan sponsors want low-cost or generic medicines, and provincial governments want to control rising healthcare budgets by reducing what they pay out under provincial drug plans. On the other hand, patented drug manufacturers need to protect their intellectual property, recoup their enormous investment in R&D and clinical trials, and return a decent profit to their shareholders.

These are complex issues and we won’t solve them here today. But I will say that solutions won’t be found unless there is a high level of trust among the parties involved –government, patients, doctors and nurses, the biomedical research community and academia.

Partnerships require trust. Without trust, nothing moves.

Without the trust of our key partners and stakeholders, GSK realized some time ago that we would not be able to achieve our mission, which is to improve the quality of human life by enabling people to do more, feel better and live longer. And so we decided to do something about it.

When Andrew Witty took over as our CEO in 2008, he announced at his first Global Management Conference that one of his key initiatives would be to empower our employees. A big part of this strategy would be to move the Company away from a rules-based culture to a values-based culture – a kind of “do the right thing” decision-making model, rather than a slavish “follow the rules” model.

Well, as someone responsible for Legal Affairs and Risk Management & Compliance in an operating company, I have to admit that my first reaction when I heard him say it was ... “Oh dear” ... or something to that effect. But let me tell you how it’s going.

In my view, Andrew Witty was trying to address a couple of things with his new approach. First, a rules paralysis that had settled in around the world that had manifested itself in a workforce that did not feel empowered to make decisions and think independently. Second, pretty clear evidence that more and more rules were not preventing us from getting into trouble and were certainly not helping us in our efforts to Build Trust with key stakeholders around the world.

So, does this mean we don’t have rules anymore? Of course not – rules are important. What it means is that we now ask employees to know the rules, and for some there are many, but instead of only checking a behavior or activity against the rule book and getting caught in the cycle of is it or isn’t it against this or that rule, we ask them to start and end with a values-based assessment. Is it in the best interests of the patient? Is it respectful of each other and our partners in the Healthcare System? Is it

transparent to everyone what we are trying to do and what our role is in an activity? Are we acting with Integrity?

It is very empowering.

But first, we had to define a set of values that we would live by. As just mentioned, they are:

1. Focus on the best interests of the patient;
2. Be transparent about our working relationships;
3. Operate with integrity; and
4. Respect those we work with and serve.

I would be the first to admit that these values are not unique to GSK. Nor were these values new to GSK when we decided to focus on them. But they have become fundamental to our business and to our decision-making process. In fact, as mentioned, we encourage every employee to test every important decision they make by asking themselves whether that decision would be consistent with our four values. The best way for a corporation to ensure that its values become day-to-day practice – rather than merely a set of high-minded principles that are announced with fanfare and then forgotten – is to shift the authority and responsibility for the values to each and every employee. Thus, when GSK asks all employees to stress-test their decisions against the four values, we are in fact making every one of them a guardian of those values. That is real empowerment.

I'm going to spend a moment describing how each value plays out on a day-to-day basis at GSK.

We'll start with the first value: focusing on the best interests of the patient. That means that when our sales representatives talk with doctors, they spend time talking about who should not take our medicines as well as who should take them.

We're also looking to revise our sales rep. incentive system in 2012 to move away from basing bonus calculations on volumes of drugs sold, to basing them on behaviours and providing useful information and support to our Customers. This will be a **major** shift in our commercial culture and practice.

GSK is also committed to ensuring there are no real or perceived commercial or promotional interactions with Patient Advocacy Groups. We've recently realigned our resources into a team dedicated to working with these groups to make sure that we are focused on helping them achieve **their** goals, not ours.

Transparency is the second key value. Some of the innovative pharmaceutical industry's financial relationships and industry practices from previous years are no longer viewed as appropriate by our stakeholders, and so we've changed them and will continue to do so. For a few years now, we have publicly disclosed such items as contributions to Patient Advocacy Groups and information on human subject research. We post on the Internet the results of independent clinical research that evaluates our medicines, and we publish any breaches of our industry code of practice. Furthermore, three years ago this month, we ended the practice of making corporate political donations around the world.

Our third value is integrity. For some this is hard to define, but for **me**, integrity is doing the **right** thing and being true to your professed values and behaviours even when no one is watching.

At GSK we believe that physicians should be fairly compensated for their time and expertise. Yet several of our key stakeholders, including those in the medical community, have questioned the integrity of these relationships. We have addressed this criticism to ensure there are no real or perceived issues. There are both industry and GSK codes of ethical practice to guide these relationships. We have not only refreshed these codes, but have also put in place regular and mandatory training for all employees, and back-end monitoring to ensure that these Codes are understood and followed.

Our fourth value is respect. While a practice may be perfectly legal and even acceptable according to industry codes, we have to respect the wishes of the society we serve.

Here's an example. In the U.S., GSK markets a medicine for erectile dysfunction. This is not a condition that parents, aunts, uncles, and grandparents want to explain to children while watching an afternoon sporting event on television. We take great care in how and where we advertise this treatment. Rather than blanketing the airwaves and advertising in places that are easily accessible to children, we target our marketing to reach the patient, at an appropriate time and place.

For our industry to regain public trust, we must constantly examine how we interact with our customers, how we communicate with patients and providers, how we fund activities, and how we share information. GSK has embraced this values-based approach to our interactions with partners, stakeholders, patients and the public.

The next step we took at GSK Canada was to develop what we call a Trust Framework. This is an important tool or visual aid to help us Tell our Story, both internally and externally, around what we are doing to turn Build Trust into an actionable business agenda.

As you can see in this slide, the seven pillars supporting trust cover the full gamut of our internal policies and our dealings with stakeholders and the public. I've already provided some examples of how we reinforce these pillars through our everyday practice. But let me drill down on two of the pillars: first Scientific Excellence, and then Investments.

There is much that we do to promote scientific excellence in Canada and thereby build trust. We are already among the top 15 contributors – across all industries – to R&D in this country. In 2010, GSK spent \$141 million on Canadian R&D.

Let me provide you with a notable example from 2011. On November 10th, we announced the establishment of the GSK Canada Life Sciences Innovation Fund. This venture fund will provide \$50 million to significantly advance the commercialization of scientific innovation in Canada. The fund was set up to identify strategic investment opportunities within Canada's Life Sciences industry, including academic and health institutions, translational research centres and start-up companies. It will provide a competitive advantage to our life sciences industry in a fiercely competitive global market, help advance the commercialization of Canadian research, and lead to new innovations to address the challenges in our healthcare system.

Now to the Investments pillar. I'm especially familiar with it through my role as Chair of The GlaxoSmithKline Foundation.

Our focus in Canada is in the areas of healthcare and health promotion, hospice palliative care, science education and local community initiatives. A big part of the Foundation's work involves our employees through matching gift programs, employee volunteer days and local community participation. Our efforts to improve hospice palliative care in Canada is noteworthy not only because it is important to every family in Canada, but because it was chosen by our employees. Our commitment in this vital area matches our strengths and experience, engages our employees, and builds our ties to the community.

Further, our global Pulse Program gives employees the chance to volunteer for three to six months with non-profits and NGOs in Canada and in countries like Bolivia, Kenya, China, India, Haiti and Ghana. It is a great way for us to help our employees meet their personal goals, gain international experience and contribute directly and meaningfully to global development in health, education and the environment.

There are a number of other global GSK initiatives worth mentioning because they are instrumental in building trust in our brand.

GSK is taking a more flexible approach to intellectual property in some of the world's least developed countries. We've established a Least Developed Country Patent Pool for medicines that treat seventeen neglected tropical diseases. We've put our own patents into the pool, allowing others access to develop and produce new products. Any benefits from the pool are dedicated solely to improving health in the host country.

We have also reduced our prices for patented medicines in the least developed countries so that they will be no higher than 25% of the developed world price. This is a maximum price – where possible we will go further and reduce our prices more aggressively.

We've increased our collaborative efforts to combat the diseases of the developing world, with a particular emphasis on the World Health Organization's top three priority diseases of the developing world: HIV, TB and malaria.

Finally, GSK has committed to reinvest 20% of the profit we make selling medicines in least developed countries to building healthcare infrastructure for those with the greatest need. Overall, we have challenged ourselves to create partnerships in every country we operate in, whether with a local pharma company, public sector organization or academic institution.

The Internet home page for the Canadian Centre for Ethics and Corporate Policy states that, "Ethics is the defining issue for today's corporations."

As you have heard, I wholeheartedly agree.

I've presented you with one corporation's approach to building trust and to building an ethics-based brand. More importantly, I hope that I have connected the dots between trust and our day-to-day business. For GSK to survive and thrive in Canada, we need to be part of a strong, vibrant scientific, medical and academic community that is dedicated to producing world-class research and innovation here at home. We need strong partnerships with all players in our healthcare system, and strong partnerships can only be built on trust.

I imagine that most of you here today have a similar need for strong partnerships in your own businesses, and the concomitant need to build and maintain trust. I hope I've given you some food for thought this afternoon.

Thank you very much.