

29 September 2005

The Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Members and Senators

GlaxoSmithKline (GSK) welcomes the opportunity to provide this submission to the Joint Parliamentary Committee on Corporations and Financial Services inquiry into Corporate Social Responsibility (CSR). A worldwide commitment to community initiatives and charitable donations of £328 million (\$A811 million) demonstrates GSK's ability to balance complex shareholder and stakeholder interests.

GSK Background

GSK is a world leading, research-based pharmaceutical company with a combination of skills and resources to meet the healthcare needs of people around the world, helping them do more, feel better and live longer. GSK is a global leader in the research, development, manufacture and supply of prescription medicines, vaccines, over the counter medicines, oral care products and nutritional healthcare drinks.

The company's local operations bring clear benefits to the Australian community: delivering positive health outcomes; generating highly skilled jobs in both metropolitan and regional areas; contributing to exports; and fostering the local scientific community.

With a longstanding commitment to the Australian pharmaceutical industry, GSK offers unique understanding and insight into its intricacies. As a significant investor in capital infrastructure, people and skills, local communities and scientific endeavour, we understand the drivers of international business and investment.

Partnerships with health consumer and professional organizations, including Diabetes Australia, SANE, the Epilepsy Association and the National Asthma Council, combined with support for selected local organisations such as Illoura Early Childhood Intervention Services and the Burnside Family Learning Centre, reinforce this commitment. Attachment 1 provides an overview of current community initiatives both within Australia and globally.

From a policy perspective, both independently, and through our involvement in Medicines Australia and The Pharmaceutical Alliance, GSK strives to be a

balanced and reasonable contributor to debates across areas as diverse as health, industry and investment, taxation and business regulation. Such contributions are informed by both critical business interests and an appreciation of the short-term and long-term priorities of government, business and the Australian community.

Defining and Measuring CSR

CSR is a notoriously slippery concept, which has come to mean very different things for companies of different sizes, in different sectors, operating in different places. It has also accrued a range of meanings in government and non-government sectors. Adopting a strict definition, acceptable to all parties, is therefore likely to prove impossible.

From GSK's perspective, CSR isn't a discrete project, program, department or budget; rather it defines the way we do business. It's also about the passion of our people and their desire to be part of a company that gives back to the communities in which they live and work.

Our core mission is achieved primarily through our research, products and activities. Great products, however, are not the whole story. Society expects companies to act responsibly in their pursuit of success. If anything, the fact that our business is about human health makes it even more important that we operate to the highest standards.

Within GSK, CSR translates into a set of stated corporate responsibility principles, which set a standard for everyone in the business, at all times. A brief description of these principles is included as Attachment 2. Across the entire company, we aim to enhance the contribution we make to society by operating in a socially, ethically and environmentally responsible manner.

In recent years, we have also moved beyond mere statements of commitment and intent. Our performance against these principles is measured regularly, with results reported broadly.

- A report explaining our performance against ten key CSR principles is published annually and made available on the company's website www.gsk.com.
- We have frequent discussions with a range of stakeholders, including employees, shareholders, patients, doctors, governments and NGOs, to inform them of our approach to managing corporate responsibility.
- We use external guidelines and frameworks where relevant, including the Global Reporting Initiative (GRI) index, our compliance with which is published on in the CSR report and on our website.
- We have also recently signed up to become a founding member of the London Benchmarking Group (LBG) - Australia; a systematic approach to measuring and reporting community contributions, which has worked successfully in the UK for the past 10 years.

Being globally recognised, the GRI and LBG approaches provide valuable benchmarking tools for GSK. However, they may not have the same

application for all companies and provide a necessary degree of flexibility. Such voluntary reporting tools are considerably more user friendly than onerous mandatory reporting requirements, in Annual Reports for example.

Option or Obligation?

Clearly, GSK considers the varied perspectives of a broad set of stakeholders as being critical to our business. Not only *should* we have regard to these perspectives, we *must*. This view has developed internally, out of an assessment of the prevailing social, business and political environment, not by legislative fiat.

Our experience suggests that consideration of a broad set of stakeholders is an outlook which could well be adopted more widely, with great benefits to both companies and the communities in which they operate. This perspective is shared widely within the pharmaceutical industry. A recent report by the International Federation of Pharmaceutical Manufacturers Associations, *Building Healthier Societies through Partnership*, concluded that:

“Tackling the health status of the poorer populations in developing countries presents national governments, international organisations and civil society organisations with a complex problem that requires a far larger-scale mobilisation of resources, capacities and skills than either the public or the private sector alone can provide. The organisational response to this complexity is increasingly to be found in the Public-Private Partnership formula. Based on the principles of mutual trust and respect, shared objectives and responsibilities as well as a true, long-term commitment, Public-Private Partnerships enable partners with different, often divergent philosophies and missions to work together to achieve one common goal – to build healthier societies.”

However, caution must be exercised when generalising the lessons from one type of firm in a reasonably unique industry, to an entire jurisdiction. For example stakeholders in the mining industry are considerably different to those in the finance industry or the health industry. Therefore the types of CSR activities will vary widely.

GSK considers that the best examples of CSR are likely to emerge around shared business and community interests – whatever these might be. Imposing requirements from above, based on current interpretations of best practice, may prove both difficult and counterproductive. One size fits all legislative approaches run the risk of constraining possible responses.

GSK commits to a number of global initiatives aligned with core business competencies and Australian activities, both community and health related. This balance of international and local activities makes sense for GSK, but may not be ideal for other businesses.

The Existing Regulatory Framework

As other submissions to this inquiry have noted, the existing Australia legal framework provides significant obligations and incentives towards good CSR practice. In particular, they note the flexibility of existing corporate law with respect to the balancing of stakeholder and shareholder interests and the frequently aligned nature of such interests.

As an adjunct to these comments, GSK would draw the Committee's attention to the very broad range of international regulation concerned with corporate activities which fall under the broad definitional umbrella of CSR. From the perspective of the local operating unit of a multinational company, it is essential that any reforms to Australian law first consider all relevant international instruments. Failure to do so could potentially lead to significant duplication and waste and in the worst case, inconsistency of legal obligations.

Two worthwhile resources worth consulting in this regard are the UN Research Institute for Social Development resource guide for Regulating Corporations (2004) and the OECD Directorate for Financial Fiscal and Enterprise Affairs Working Paper comparing OECD Guidelines and Other Corporate Responsibility Instruments (2001).

Sticks or Carrots?

Few would seriously question the role of government in regulating some aspects of business behaviour. Competition and consumer laws are essential to combat unscrupulous conduct and protect more vulnerable members of the community. Securities and investment laws are necessary to maintain confidence in a functioning business sector. Workplace relations and occupational health and safety laws are vital to address imbalances of power between employees and their employers. And environmental regulations have proven an effective mechanism for combating market externalities. However, enforcing recognition of broad stakeholder interests through regulation, as envisaged in the Committee's terms of reference, would involve an entirely different scope of government intervention.

There appear to be two fundamental questions in this regard: whether it is a legitimate role of government to enlist the services and resources of the corporate sector in pursuing certain social objectives; and if so whether this is best achieved through a mix of prescriptive and proscriptive regulation, or of advice and encouragement.

GSK is firmly of the view that government does have an important role to play in aligning the interests of businesses and the communities in which they operate. However, we think this is best achieved through mechanisms which clearly signal government ambitions and objectives, foster an environment in which these have broad support across business and the community, and recognise and reward those companies which help achieve them. For example, the Prime Ministers Awards for Excellence in Community Business

Partnerships have, in a relatively short time, become sought after symbols of recognition and reward to businesses and community organisations, which work in partnership: sharing skills, expertise, time and resources to address problems of disadvantage and to build stronger local communities. This perspective is broadly shared by the United Kingdom Government. The former minister responsible for CSR, Stephen Timms, summarised his Government's approach succinctly:

"I am well aware of the many and increasing calls for more regulation of company behaviour. And I agree that Government has a responsibility to ensure minimum legal standards. I remain convinced that the main focus of CSR should continue to be a voluntary one. Our role in Government then is to be clear on the future direction and the challenges facing us and to set the appropriate framework that enables us to tackle them. The policy framework must use the right mix of tools – including fiscal and regulatory measures where appropriate – to boost socially and environmentally responsible performance. Where regulation is the right solution it should be well designed and focussed. But CSR should continue to take compliance with legal requirements as the base and go beyond that in the interests of business and the rest of society."

A more recent statement, "Corporate Social Responsibility: International Strategic Framework," elucidates the approach in more detail and should certainly be considered by the Committee in its deliberations.

Conclusion

Companies can make a substantial difference to the prosperity, durability and liveability of the communities in which they operate. In many cases, enhancing community interests will also have positive business benefits. Fostering broad recognition of the synergies between business and social objectives is no simple task, but can produce tremendous results if pursued diligently. The experience of GSK, both globally and in Australia, should be viewed as instructive of this point.

GSK greatly appreciates this opportunity to contribute to the Committee's inquiry and trusts the information provided will be of assistance in its deliberations. If there is anything in the submission which requires clarification, or the Committee needs further information, please do not hesitate to get in contact with me on 03 9721 6712. I would also be more than happy to participate in any planned public hearings undertaken as part of the inquiry, if this is deemed appropriate.

Yours sincerely

Alex Gosman
Director – Healthcare Environment
GlaxoSmithKline Australia

Attachment 1 – GSK Community Partnership Activities

GlaxoSmithKline (GSK) is committed to serving the global community, including Australia, through the funding of a variety of projects that involve enhancing community welfare, partnerships with non-profit organisations or supporting international aid appeals.

We look to support initiatives that aim to improve the quality of healthcare, provide better access to medical services and medicines and that enhance quality of life. These include regional and local activities involving:

- disease-specific initiatives;
- health and wellbeing programs;
- health and science education; and
- product donations for humanitarian relief.

GSK's worldwide community investment is valued at £338million.

Australian Community Partnerships

Illoura Early Childhood Intervention Services in Ferntree Gully, Victoria was established in 1977 by a group of parents to help their children and support each other. They have successfully grown over the years to become a key centre providing therapy, education, family information and support for families with children with developmental delays and disabilities.

GSKA has provided a variety of support for Illoura over the years including new facilities and equipment, volunteer labour and funding for Christmas parties. More recently GSK has been focusing our support to help Illoura provide the following resources:

- Communication skill courses - involving funding for speech pathologists to help children/parents with communications training
- Funding for an occupational therapist to assist with children's behaviour and reactions to sensory stimulation
- Funding for parent education courses – including support of two psychologists to help parents understand and cope with their role as caregivers.
- Funding a specific program for babies called FACES

Learning Links – NSW is another partner with GSKA Consumer. Learning Links provides support to over 100 children with learning difficulties helping them with their reading and writing skills and access to specialist services. As part of our partnership GSK helps Learning Links via staff volunteering and also their Christmas card appeal.

Burnside Family Learning Centre in Ermington NSW. GSKA also supports this centre, which provides innovative, holistic programs aimed at raising the horizons of disadvantaged primary school children with learning difficulties. The centre works with vulnerable families that offers tutoring, counselling, early start program, parent learning group, children living skills. GSK helps

the centre through funds to provide an extra teacher over three years and to support educational and leisure activities for families

The National Youth Science Forum is an annual program for students who have just completed Year 11 and are considering a career in science or engineering. The program involves approximately 400 students annually, who travel to Canberra to participate in visits, seminars and discussions with leading scientists and science related institutes.

The program encourages students to pursue a career in science and engineering and focuses on students learning more about areas in which science and science education are relevant to their, and Australia's future.

As an industry partner, GSK Australia provides funding for the program as well as participating in the program's industry days in Canberra, training students for interviews and also establishing partner days at GSK's Boronia site.

GSKA Port Fairy Scholarship Trust is another education initiative that was established to promote and encourage scholarship and education in the field of science and health sciences for students living in or originally from Port Fairy and the local district area.

Additional GSKA initiatives include the sponsorship of post-graduate programs, educational programs for General Practitioners and Pharmacists and Fellowships and Scholarship schemes.

GSKA is also a supporter of a wide number of leading Australian health consumer organisations and patient support groups including the National Asthma Council, Asthma Foundations of Australia, Diabetes Australia, Epilepsy Foundations, Epilepsy Action, Cancer Councils, Gynaecological Awareness Information Network, National Association for People Living with HIV and Aids, Osteoporosis Australia, Mental Health Council of Australia and SANE Australia, which serve the community by creating awareness of disease and providing information on, and access to, relevant support services.

Global Community Partnerships

GSK recognises that it is interdependent with the communities it serves worldwide and is committed to making a real and measurable contribution to improving standards of health for people no matter where the company operates.

Providing Treatment to Eliminate Disabling Tropical Disease. GSK is a key member of the Global Alliance to Eliminate Lymphatic Filariasis (GAELF), a program that was initiated in 1998 by the World Health Organization and GSK to eliminate Lymphatic Filariasis (LF).

LF is a disabling and disfiguring tropical disease caused by thread-like worms (filariae) that live in the human lymphatic system. Symptoms include gross swelling of limbs and genitalia, and fever attacks. It is endemic in 80 countries and mainly affects people in tropical and sub-tropical areas of Africa, Asia and the Americas. Around 120 million people are affected by LF with over 1 billion at risk of infection. This condition is also known as elephantiasis.

The strategy for disease elimination is to use annual community-wide treatments with the GSK antiparasitic drug albendazole and either ivermectin (Mectizan®) or diethylcarbamazine (DEC) for five years. This should break the cycle of mosquito-human transmission by reducing blood infection in entire communities.

GSK has committed to donating albendazole for the life of the program, with current projections estimating this will require around six billion treatments.

To date, over 80 million people in the world's poorest countries have been treated with medicine to prevent lymphatic filariasis (LF). With GSK donating over 250 million tablets to-date (April 2004).

African Malaria Partnership. Malaria is one of the world's biggest killers with forty percent of the world's population at risk of contracting the disease. Each year there are over 500 million cases and 3 million deaths from Malaria.

GSK is committed to playing a significant role in improving the health of communities affected by Malaria. Firstly, through ongoing research into new medicines and a malaria vaccine. Secondly, the preferential pricing of our antimalarials in the world's least developed countries. Thirdly, through our community investment program, the GSK African Malaria Partnership (AMP).

The AMP provides 'kick start' funding (totalling US\$1.5 million) over three years – to three initiatives, which together will reach nearly two million people in seven African countries. By working in partnership with national malaria control programs and non-governmental organisations, the AMP supports the development of appropriate and effective behaviours that lead to better prevention and management of malaria, particularly for young children and pregnant women – the most vulnerable members of malaria affected communities.

Positive Action on HIV/AIDS. Positive Action is GSK's long-term, international HIV and AIDS community partnership program, established in 1992. The program was an early recognition of the pivotal role played by communities in responding to the world's HIV and AIDS endemics.

Through the many components of this program, GSK works in partnership with individuals, networks of people living with HIV/AIDS, community groups, healthcare providers, governments, international agencies and others to pursue the common goals of more effective HIV prevention, education, enhanced care and support for communities living with or affected by HIV/AIDS.

Through the 39 projects funded by Positive Action in 31 different community organisations (our “Positive Action Partners”) across 35 different countries, we have helped affected communities address HIV and AIDS awareness, stigma, prevention, care and treatment.

PHASE Personal Hygiene & Sanitation Education. Every year over 2.2 million people globally, mostly children in developing countries, die of diarrhoeal disease. This is one of the world’s biggest killers, yet one that is easily preventable.

PHASE is a simple hand washing program for schoolchildren that saves lives. It provides guidance on the importance of washing hands and other hygiene practices and aims to reduce diarrhoea related disease and improve children’s overall health and well-being.

GSK initiated Phase in 1998 and the company has worked closely with two non-government organisations (NGOs) – AMREF (African Medical Research Foundation) and Plan International – as well as Ministries of Health Education, to develop PHASE as a low-cost education program.

The program takes a holistic approach to healthcare education, community development and water and sanitation. Education materials such as cloth books and story cards have been carefully designed in consultation with children, using images and pictures that reflect their lives.

Following two pilot projects, PHASE has now been implemented in four countries, across two continents. In many of these communities, there is no running water and very basic school facilities. PHASE has won a number of international Awards.

Product Donations for Humanitarian Relief. GSK donates essential products for humanitarian relief efforts. Donations are made at the request of governments and major charitable organisations on a planned production basis, which ensures that right product reaches the right people at the right times. GSK Australia was also involved in significant product and cash donations to support the Tsunami Disaster Fund.

Attachment 2 – GSK Corporate Responsibility Statement and Principles

The mission of our business - to improve the quality of human life to enable people to do more, feel better and live longer - focuses on the needs of patients. We will achieve this mission through our products and activities, while enhancing the contribution we make to society, sustaining economic performance and operating in an environmentally responsible manner.

Employment Practices

We will treat our employees with respect and dignity, encourage diversity and ensure fair treatment through all phases of employment. We will provide a safe and healthy working environment, support employees to perform to their full potential and to take responsibility for the performance and reputation of the business.

Human Rights

We are committed to upholding the UN Universal Declaration of Human Rights, the OECD guidelines for MNEs and the core labour standards set out by the International Labour Organisation. We expect the same standards of our suppliers, contractors and business partners working on GSK's behalf.

Access to Medicines

We will continue to research and develop medicines to treat diseases of the developing world. We will find sustainable ways to improve access to medicines for disadvantaged people, and will seek partnerships to support this activity.

Leadership and Advocacy

We will establish our own challenging standards in corporate responsibility, appropriate to the complexities and specific needs of our business, building on external guidelines and experience. We will share best practice and seek to influence others, while remaining competitive in order to sustain our business.

Community Investment

We will make a positive contribution to the communities in which we operate, and will invest in health and education programs and partnerships that aim to bring sustainable improvements to under-served people in the developed and developing world.

Engagement with Stakeholders

We want to understand the concerns of those with an interest in corporate responsibility issues. We will engage with a range of stakeholders and will communicate openly about how we are addressing CR issues, in ways that

aim to meet the needs of different groups while allowing us to pursue legitimate business goals.

Standards of Ethical Conduct

We expect employees to meet high ethical standards in all aspects of our business, by conducting our activities with honesty and integrity, adhering to our CR principles, and complying with applicable laws and regulations.

Research and Innovation

In undertaking our research and in innovating:

- we may explore and apply new technologies. We will constructively engage stakeholders on any concerns that may arise;
- we will ensure that our products are subject to rigorous scientific evaluation and testing for safety, effectiveness and quality;
- we will comply with or exceed all regulations and legal standards applicable to the research and development of our products.

Products and Customers

We will promote our products in line with high ethical, medical and scientific standards and will comply with all applicable laws and regulations.

Caring for the Environment

We will operate in an environmentally responsible manner through systematic management of our environmental impacts, measurement of our performance and setting challenging performance targets. We will improve the efficiency of all our activities to minimise material and energy use and waste generated. We aim to find opportunities to use renewable materials and to recycle our waste.