

GlaxoSmithKline - Summary of company profile

Business description

GlaxoSmithKline (GSK) is one of the world's largest research-based pharmaceutical corporations that discovers, develops, manufactures and markets branded human health products.

- Headquarters: UK, with additional operational headquarters in the USA
- Global presence: about 160 countries
- Primary markets: USA, France, Germany, UK, Italy and Japan
- Employees: approximately 103,000

GSK key figures for 2003 (in £ million)

Sales	21,441
Materials and production costs	4,188
Marketing and administration	7,563
R&D expenditures	2,770
Operating income	6,920
Net profit	4,765

GSK has two main business divisions, pharmaceuticals and consumer healthcare. This profile deals with the pharmaceuticals division, which generates 85% of GSK's sales.

The five largest selling GSK products are Seretide/Advair for asthma and Chronic Obstructive Pulmonary Disease (COPD); Paxil/Seroxat and Wellbutrin, both anti-depression drugs; Avandia/Avadamet for type 2 diabetes; and the antibiotic Augmentin. Each of these drugs generated above £800 million of sales in 2003.

GSK produces a broad range of products of special importance to developing countries, including:

- Anti-malaria drugs
- Zentel (albendazole), for de-worming and the prevention of lymphatic filariasis
- Pentosam, against leishmaniasis
- Anti-retrovirals (ARVs) for the treatment of HIV/AIDS
- Tuberculosis drugs

- Vaccines for developing countries

Corporate Social Responsibility (CSR)

CSR refers to the responsibility of a company for the social, ecological and economic impacts of its operations. GSK follows a proactive and comprehensive CSR approach. In 2003, the company formally adopted a set of Corporate Responsibility Principles. The company is highly transparent about its CSR policies and has a clear governance structure on CSR. Reporting about CSR performance is still limited on some issues, such as employment practices and internal monitoring on compliance with the company's Code of Conduct. Recent criticism concerning GSK's CSR performance includes fraudulent patent manoeuvres, irresponsible drug promotion and tax evasion.

GSK's policy for access to medicines in poor countries is outlined in its 2001 publication *Facing the Challenge*. The company identifies three key areas in which it can make a valuable contribution:

- R&D for diseases in poor countries
- Sustainable preferential pricing
- Community investment

GSK has provided voluntary licenses for the generic production of HIV/AIDS drugs in sub-Saharan Africa and offers a considerable range of medicines and vaccines at preferential prices. Furthermore, GSK has a large R&D portfolio for diseases relevant to developing countries and is also committed to undertake R&D projects on which it does not expect a commercial return. Compared to other pharmaceutical companies, GSK has a comprehensive and progressive policy for access to medicines.

Global Public-Private Initiatives (GPPIs)

GPPIs bring together different partners to address health problems in poor countries. In each of the three areas mentioned above,

GSK is actively involved in GPPIs. It participates R&D partnerships to speed the development of tuberculosis and malaria drugs and various types of vaccines, including a dengue, malaria and rotavirus vaccine. The company is also a partner in two preferential pricing frameworks:

- Accelerating Access Initiatives (AAI)
- Global Alliance for Vaccines and Immunisation (GAVI)

GPPIs for community investment include:

- Global Alliance for the Elimination of Lymphatic Filariasis (GAELF)
- GSK African Malaria Partnership (AMP)

Each company participating in the **AAI** individually offers preferential prices for its anti-retrovirals. For the poorest countries, GSK sets a single not-for-profit price. As of December 2003, the number of HIV patients in Africa receiving ARVs provided by all AAI companies combined was only about 150,000.

The **GAVI** was established in 1999 to expand the widespread use of vaccines in developing countries. The pharmaceutical industry is represented in the GAVI Board. The GAVI has identified three priority diseases: Hepatitis B, *Haemophilus influenza* type b and yellow fever. This focus has been criticized. GSK is a major supplier of Hepatitis B vaccines to GAVI, with supplies worth over \$200 million for the period 2001-2004.

The **GAELF** is GSK's flagship community programme. It was founded in 1998, aiming to eliminate lymphatic filariasis by 2020. GSK has committed to provide as much of its drug albendazole as required until the disease is eliminated. The drug is administered through national programmes in 34 countries. GSK also contributed cash grants and expertise. The total quantity of required albendazole for 20 years is estimated at 6 billion tablets, with a value of some \$1 billion (at wholesale prices).

The **AMP** was established in 2002 to reduce malaria infections and improve the

management of the illness. The partnership targets seven African countries. National ministries of health and international NGOs are directly involved. GSK provided a £1.5 million grant to fund country programmes for three years. During this period, the company seeks to demonstrate the success of the partnership and attract other donors.

In 2003 the total value of GSK's product, cash and in-kind donations was £338 million.

Analysis of GPPI involvement

Although the global community partnerships of GSK have a philanthropic nature, they also serve to build pride with employees. These GPPIs also help to build relationships with governments and other stakeholders. The Hepatitis B vaccine supplies to GAVI generate large businesses for GSK as well.

It is positive that GSK's support for GPPIs forms part of a broader policy on healthcare in developing countries. GPPIs like the AAI and R&D partnerships are directly linked to the company's core business and CSR policy. GSK dedicates considerable resources to GPPIs and is transparent about its contributions.

Lack of transparency about partnership agreements, for example for the GAELF and GPEI, prevents full external scrutiny. GSK's large donations to global community partnerships also raise a few concerns. Philanthropic contributions might be inappropriate if they would be indirectly supported by irresponsible business practices, such as tax evasion. Furthermore, the time-scale of financial commitments like the grant to the AMP is relatively short. Finally, responsibilities may be transferred from donor governments to the company, but the root of this problem lies of course with donor governments.

This company profile was written by SOMO (Centre for Research on Multinational Corporations). The full report is available at <http://www.somo.nl>.