



**Committed to Serve for
a Healthier India**

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Chairman
GlaxoSmithKline Pharmaceuticals Limited**

Speech delivered at the Company's
Annual General Meeting on 28th July, 2016

Thank you for being with us at the 91st Annual General Meeting of GlaxoSmithKline Pharmaceuticals Limited.

GSK has a longstanding commitment to India and has been successfully partnering the healthcare needs of India for over 90 years. Your company has been generating high-quality employment by investing in local manufacturing and has also been contributing to strengthening India's capacity to deal with current and future healthcare challenges.

At the same time, your company also recognises that India faces immense challenges in providing healthcare. This stems from a large and rapidly growing population while the healthcare infrastructure, particularly in rural areas is unable to keep pace with the socio-economic transformation.

Access Leadership for a Healthier India

GSK has an important role and responsibility in improving the health of people and is determined to broaden access to GSK products.

This means working across different healthcare systems. The pricing strategy as set out by our global CEO and the corporate executive team is to drive growth by increasing access to GSK medicines and vaccines further down the wealth pyramid. GSK does this through an equitable pricing strategic framework.

Your company has implemented pricing strategies for life-saving medicines and vaccines in order to ensure broader access. For example, given that pneumonia is the greatest cause of infant mortality in India, your company lowered the cost of *Synflorix* vaccine by over 35% in order to ensure more children are able to benefit from the Pneumococcal Conjugate Vaccine (PCV) at

affordable prices. More recently, your company also reduced the price of *Seretide* by over 45% to help people suffering from asthma. After the price reduction, *Seretide* volumes increased by more than 100% in just 9 months.

In order to further increase access to GSK medicines, your company organises the distribution of products across the country through a network of over 4,000 wholesalers. Your company focuses its efforts by engaging with those healthcare providers that serve middle and lower income segments (i.e. C and D income tier populations). This is evidenced by the fact that 40% of all Healthcare Practitioners (HCPs) that your company engages with serve these segments.

Your company also actively reaches out to rural doctors through its unique scientific programme called "Van Scientific Promotional Meeting", targeting doctors who have limited or no access to continuous medical education. Through the GSK Reach Programme, your company has deployed 170 medical representatives to support 29,000 doctors and 17,000 retailers. Your company has also expanded the distribution channel through 327 authorised distributors, catering to retail chemists, ensuring increased access of quality GSK medicines to rural patients. In addition, your company has been successful in making products available through innovative packaging changes at affordable price points for the rural population.

To widen this reach, your company's tender business team is spread across the country and covers about 750 institutions, including government buyers like Railways, Coal India, Ministry of Shipping and state medical service corporations covering more than 30 million

employees and families in these organisations. The tender business team has significantly increased operations over the past two years that has significantly expanded our reach.

Your company's focus on rural distribution networks, engagement with rural HCPs and tendering has enabled availability of 500 million units of pharmaceutical and vaccine products across the country per year. This represents 30% of your company's total volume sales globally.

Owing to the success of your company's holistic access model in reaching the middle and lower income segments, this model is now being replicated throughout Africa via GSK's Africa 2020 strategy.

Make in India - Manufacturing Leadership for a Healthier India

To continue your company's commitment in improving access for the local population, your company is investing ₹ 1,000 crores for the development of the largest Indian tablet manufacturing pharmaceutical factory on a 50-acre site in Vemgal, Karnataka. In addition, your company is also investing over ₹ 500 crores for the upgradation of its existing pharmaceutical factory at Nashik in Maharashtra.

The factory at Vemgal, when complete, will be the first greenfield pharmaceutical factory built in over 10 years across GSK globally and is expected to employ over 300 people. The facility will substantially increase the capacity of your company's manufacturing base and production is expected to ramp up throughout 2017. The factory will have an installed capacity to produce over 9 billion tablets and capsules per year and will be operational in 2017.

The factory will initially supply a range of tablets and capsules in the areas of gastro-enterology and anti-inflammatory medicines for the Indian market. These life-saving medicines are among the top prescribed medicines primarily for the middle and lower income segments in the country.

The new factory is being designed with the future in mind - an innovative design will support easy expansion as the need arises. To ensure cost effective production of high quality medicines, the design incorporates the highest levels of technology and automation. Production, automation and technology design are overseen by a global engineering team to match GSK's global standards, thereby ensuring quality medicines are replicable globally. This includes focus on safety, quality and technology.

The recent upgradation at the Nashik factory has significantly increased capability in the delivery of the GSK Production System, with the site showing significant improvement in safety, quality and cost as your company drives towards zero accidents, zero defects and zero waste. Site performance, last year, showed significant improvement in all performance parameters for safety, quality and cost over the previous year.

Other supply chain enhancements include strengthening the cold chain storage space and infrastructure at several facilities. This will ensure that your company's products are distributed under labelled conditions with respect to temperature and that they reach the intended destination intact and without any detrimental impact on their quality.

These initiatives support your company's commitment towards ensuring that the patient at the end of the supply chain has access to quality medicines.

Governance Leadership for a Healthier India

At the end of 2013, your company announced three industry leading changes in the way we engage with HCPs. With effect from January 2016, all these changes are in place.

First, we have removed sales target-linked incentives for our sales professionals

- From January 2014, your company's sales representatives are no longer rewarded based on individual sales targets. We continue to invest in training our representatives so that they have the knowledge and skills to provide HCPs with requisite information and they are rewarded for the quality of their interaction with HCPs.

Secondly, your company will continue to support medical education in new and different ways:

- We continue to believe the industry plays a valuable role in supporting medical education to provide HCPs with information on diseases, diagnosis and treatment. We provide grants to independent organisations that deliver medical education, without any influence over content or who is to be trained.
- We remain open to supporting HCPs to attend scientific congresses, but only through funding to third parties, so that GSK is not directly involved in decisions relating to the selection of HCPs.

Thirdly, your company stopped direct payments to HCPs to speak on our behalf:

- To help address any concerns about undue influence on prescriber behaviour and to introduce more transparency into

our marketing and educational efforts, we have stopped payments to HCPs to speak on GSK's behalf about our prescription medicines and vaccines. Instead, we are developing new digital, personal and real-time applications to improve the delivery of information to HCPs. The expert medical doctors we have within GSK will spend more time talking with and answering questions about our medicines with their peers.

HCPs will remain valuable partners for your company and we continue to pay HCPs for non-promotional activities that we could not do without them. These include:

- Conducting GSK-sponsored clinical research; and
- Advisory activities and market research that provides us with essential insights on specific diseases and patient care.

Vaccines Leadership for a Healthier India

Vaccination is probably the single biggest cause of the extension of life years over the course of the last century. The elimination across the globe of the huge concern of childhood deaths from preventable diseases is probably the single biggest driver of life expectancy and growth over the last century.

It is indeed very heartening to note that the Indian government is playing a key role in extending vaccination schedules in India, particularly in difficult disease areas. This is a huge opportunity to make a significant impact for the next generation.

As the global vaccines leader, your company is in a good position to support the Indian government's prevention goals and we look

forward to exploring opportunities to work in partnership to support India's immunisation programme.

Globally, GSK is one of the largest contributors of vaccines to Global Alliance for Vaccines and Immunisations (GAVI), supplying innovative vaccines such as those for rotavirus, pneumococcal disease and cervical cancer at significantly reduced prices to help accelerate access in developing countries. Your company is keen to continue playing a part to support India as it moves from GAVI support towards financing and sustaining its own immunisation programmes. This is evident in our commitment to continue to offer significantly discounted GAVI prices to developing countries that no longer enjoy GAVI support. These countries can continue to purchase vaccines against pneumonia, diarrhoea and cervical cancer at GAVI prices.

Growth Partnerships for a Healthier India

Your company is also scanning the Indian pharmaceutical landscape for inorganic growth opportunities within the prescription drug business that will add value to our patients. Accordingly, your company undertook a strategic mapping exercise in areas where we are strong, as a group and has also identified local opportunities where we are not present.

These partnerships could be in the form of in-licensing deals that will allow your company to fill gaps in therapy areas where we are not present, like, for example, cardiovascular diseases and diabetes.

This will enable us to better serve our patients by offering medicines for a wider range of diseases than before.

Common Platform for a Healthier India

In our continuing goal to widen access to medicines, your company has been taking a leadership role through industry forums to engage in dialogue with the government for a more holistic alternative approach, rather than only through the current price control under the Drug Price Control Order (DPCO). A holistic approach of this kind will better balance the tradeoffs between government policy supporting an important industry, such as pharmaceuticals and increased accessibility to essential medicines.

Your company has also been advocating the cause for the pharmaceutical industry to come together and make a common case for reduction of procedural litigation. A substantial portion of the current pending industry litigation pertains to procedural/ logistical issues around DPCO: (a) Criteria for identification and selection of new additions to the National List of Essential Medicines (NLEM); (b) Criteria and procedure employed in fixing ceiling prices of existing and new drugs that form part of the NLEM; (c) Procedure of notifying revised prices; and (d) Post notification issues relating to effectuating changes in prices of notified drugs. Through this holistic approach, there is an opportunity to create a policy proposal, bearing in mind the importance of the industry.

Your company has also shown its public health commitment with a number of initiatives, including the donation of 70 million albendazole tablets last year to support the eradication of the Lymphatic Filariasis (commonly known as LF-Elephant Foot). Your company also partnered with a number of organisations in India to improve mother and child healthcare, with a focus on newborn survival and sanitation.

Your company will continue to work with the Indian government to address the current healthcare challenges and welcomes the positive approach shown towards Public Private Partnerships. With our strong portfolio of medicines and vaccines, we are ready to explore opportunities for further collaboration with the Indian government.

The Indian pharmaceutical industry is on the cusp of tremendous opportunity. Your company is thinking ahead and acting proactively to make the most of these opportunities. Your company wants to bring to its patients the care standards of 2020 today. We are doing this with the latest molecules, high-quality manufacturing, state-of-the-art distribution and our tiered pricing policy, even as we have strengthened our team and added expertise in key areas.

Your company has always stood for excellence in pharmaceuticals and this year, it has taken several steps to take this legacy forward.

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