

GSK Public policy positions

Conflict Minerals

The Issue

In recent years, there has been increasing international focus on “conflict minerals” emanating from mining operations in the Democratic Republic of the Congo (DRC) and adjoining countries. Armed groups engaged in mining operations in this region are believed to subject workers and indigenous people to serious human rights abuses and are using proceeds from the sale of “conflict minerals” to finance regional conflicts.

In July 2010, in response to these concerns, the United States Congress enacted the Dodd-Frank Act requiring certain public companies to provide annual disclosures about the use of specified “conflict minerals” i.e. cassiterite, columbite-tantalite (coltan) and wolframite, along with their respective derivatives, tin, tantalum and tungsten, and gold (collectively, “3TGs”) emanating from the DRC and nine adjoining countries (collectively, the “Covered Countries”). In August 2012, the US Securities and Exchange Commission (SEC) issued a Rule to implement the new disclosure requirements mandated under the Dodd-Frank Act.

The US legislation is intended to make transparent the financial interests that support armed groups in the DRC area. By requiring companies using “conflict minerals” in their products to disclose the source of such minerals, the law is aimed at dissuading companies from continuing to engage in trade that supports regional conflicts.

The Dodd-Frank Act is applicable to all SEC “issuers” that manufacture or contract to manufacture products where “*conflict minerals are necessary to the functionality or production*” of these products. As a private foreign issuer in the US, GSK must therefore comply with the SEC Rule. This paper summarises our position on “conflict minerals”, including any use of them in our products; our commitment to reduce and ultimately replace any use of “conflict minerals” in our products that benefits armed groups in the “Covered Countries”; and the processes we have in place to meet this commitment.

GSK's Position

- GSK supports and is committed to upholding the Universal Declaration of Human Rights [[see GSK's Human Rights Statement](#)]. We recognise that businesses have a role to play in helping to address any adverse human rights impacts associated with their activities.
- We believe in treating people with respect and dignity. We incorporate these principles into our business processes and relationships [[see GSK's Third Party Code of Conduct](#)]. As a purchaser of raw materials, we expect our suppliers to adhere to the same high standards to which we adhere.
- GSK condemns the kind of human rights abuses perpetrated and funded by certain “conflict minerals” and we are committed to ensuring the ethical sourcing of any 3TGs used in our products.
- GSK obtains materials from suppliers, as well as finished products from contract manufacturing organisations (CMOs).
 - A technical review of materials provided by our suppliers in 2013 indicated that only two provided us with materials containing 3TGs. These were used in only three products, which accounted for less than 0.1% of our 2013 global turnover. Neither supplier indicated that any 3TGs in materials they provided to GSK were from the “Covered Countries”.
 - We have requested information from all our CMOs regarding any 3TGs that might be in the products they supply to us and, to date, none have indicated any come from the “Covered Countries”.
- The global supply chain for 3TGs is complex and tracing the minerals used in our products to their source is a challenge. We are however committed to minimising and ultimately replacing any “conflict minerals” that may come from improper sources, while ensuring continuity of supply for patients. The timeframe for achieving this goal will depend upon the uniqueness of the compound involved and the availability of alternative suppliers.
- We expect our suppliers and CMOs (and their respective suppliers) to exercise due diligence around the source and chain of custody of “Conflict Minerals” used in materials or products they supply to us. To this end:
 - Any existing suppliers or CMOs identified as sourcing “Conflict Minerals” in a manner that benefits armed groups in the “Covered Countries” will be contractually obliged to identify alternative sources. A failure to do so will result in termination of the supply agreement.
 - Any new or renewed supply agreements signed by GSK with suppliers and CMOs will seek confirmation that 3TG supplies will be conflict free (i.e. not benefiting armed groups in the “Covered Countries”).

- Going forward, 3TGs used in our supply chain will be included in our 'Product Change Control Process'. This will ensure that any new product formulations or suppliers or CMOs using 3TGs are flagged and the appropriate conflict mineral due diligence is conducted.
- GSK has established a Conflict Minerals Compliance Programme, sponsored by our Chief Financial Officer, that follows the due diligence framework established by the OECD. GSK's Procurement Organisation is responsible for implementing our conflict minerals compliance strategy. Senior management is briefed about the results of our due diligence efforts on a regular basis.

Background

Definition: The SEC defines "conflict minerals" as cassiterite, columbite-tantalite (coltan) and wolframite, along with their respective derivatives, tin, tantalum and tungsten, and gold. These minerals are often essential in the manufacture of a variety of devices, including consumer electronics such as mobile phones, laptops, and MP3 players, as well as some healthcare products and medical devices.

Scope: The 10 affected countries, or "Covered Countries" defined in the Dodd-Frank Act, are the Democratic Republic of the Congo (DRC), The Republic of the Congo, Central Africa Republic, Tanzania, South Sudan, Burundi, Zambia, Rwanda, Angola and Uganda. According to the SEC, the "Covered Countries" account for 15% - 20% of the world's supply of tantalum, and smaller percentages of the other three minerals.

SEC Rules and the Dodd-Frank Act

The SEC Rule is divided into a three-step compliance process:

STEP 1: A company must determine whether it is subject to "conflict minerals" requirements. This involves establishing whether the use of any 3TGs is "*necessary to the functionality or production*" of any products that it manufactures or contracts to manufacture. If the company does have necessary 3TGs in its products, then it must proceed to Step 2.

STEP 2: The company must conduct a *Reasonable Country of Origin Inquiry* (RCOI) to determine if it has reason to believe that its "necessary conflict minerals" originated in the "Covered Countries" or originated from recycled or scrap materials. If the company determines that it has no reason to believe that its 3TGs originated in the "Covered Countries" or did not come from recycled or scrap sources, it must file a Form SD briefly describing its RCOI and that determination. If a company determines that it has reason to believe that its 3TGs originated in the "Covered Countries" and did not come from recycled or scrap sources it must proceed to Step 3.

STEP 3: If a company determines, or has reason to believe, that the conflict minerals originated in any of the "Covered Countries" and are not, or may not be, from recycled or scrap sources, it must exercise due diligence on the source and chain of custody of its "conflict minerals" and (unless its diligence reveals that its conflict minerals did not come from the Covered Countries) it must file a *Conflict Minerals Report* (CMR) as an exhibit to its Form SD.

Disclosure: Under the SEC Rule companies must post their *Form SD / Conflict Minerals Report* on their website for one year. The first disclosures are required for calendar year 2013 and must be posted by 2 June 2014.

OECD Due Diligence Framework

The SEC Rule requires a company proceeding to Step 3 to conduct due diligence using a nationally or internationally recognised due diligence framework. It references the OECD '*Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*' as an acceptable example of such a diligence framework.



The OECD Guidance is designed to help companies avoid directly or indirectly supporting armed conflict in various regions of the world through their mineral or metal purchasing decisions and practices. It includes a five-step framework companies can use to create a responsible supply chain:

1. Establish strong management systems
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Carry out independent third-party audit of smelters/refiners' due diligence practices
5. Report annually on supply chain due diligence

Overview of GSK's Supply Chain

The GSK Pharmaceuticals, Vaccines and Consumer Healthcare manufacturing network includes 86 sites in 36 countries. We also partner with a network of around 350 external CMOs that supply finished products for sale and distribution by GSK. Product formulations include tablets, creams/ointments, inhalers, injections, liquids and sterile products.

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