

## Materiality assessment 2018-2019

In 2018, alongside the development of our new Trust commitments, we updated our materiality assessment in order to ensure we are responding to the issues identified as critical to our stakeholders and our business. Our last assessment was conducted in 2016.

### Methodology

In 2018, we worked with an independent third party, Corporate Citizenship to conduct the materiality review to gather and validate stakeholder and business inputs.

#### Stakeholder inputs:

We used a range of methods to gather and understand stakeholder inputs, including:

- A review of internal and external stakeholder engagement information and data, including stakeholder engagement on our Trust commitments, global reputation research, extensive employee feedback and comments from investors.
- Desk-based research on the prominence of issues across other external inputs (including media scan results, NGO issue monitoring, GRI and SASB reporting guidelines, Sustainable Development Goals, Dow Jones Sustainability Index, CDP, Access to Medicine Index and other indices).

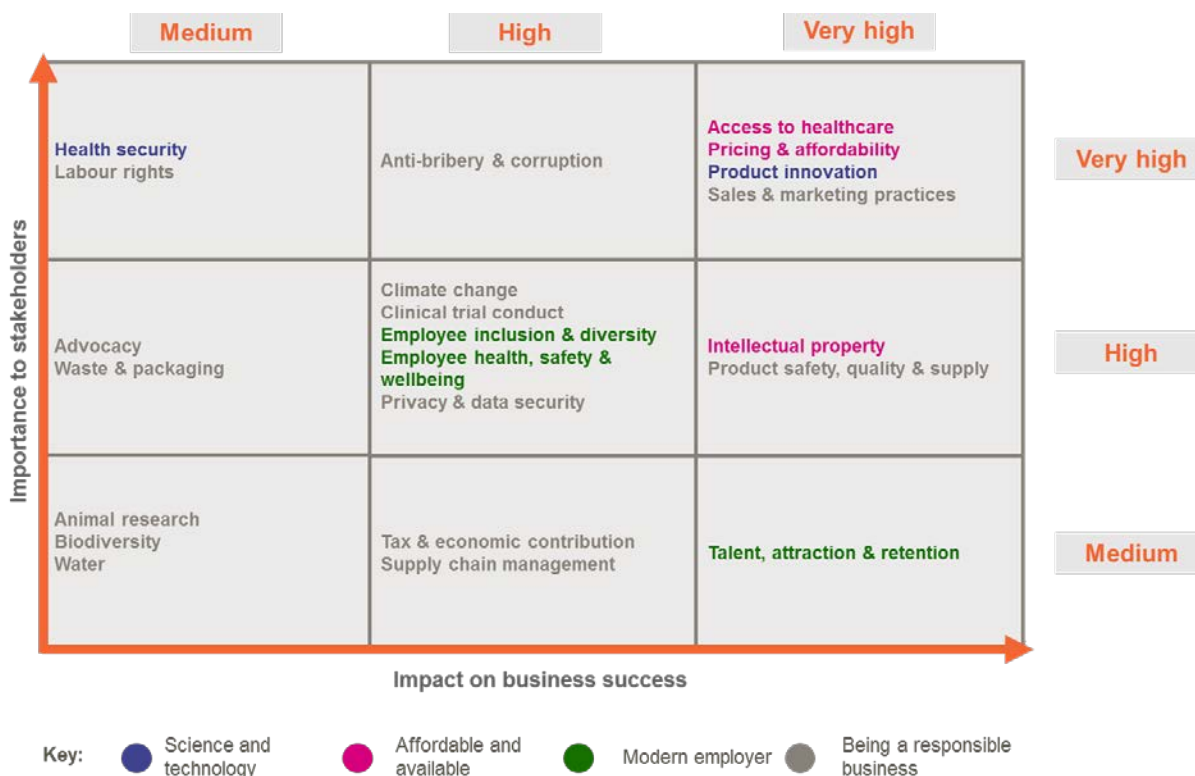
#### Business inputs:

Importance to the business was determined through assessing various inputs, including:

- Our purpose, values and expectations
- Our long-term priorities (Innovation, Performance and Trust) and newly developed approach to responsible business through the public commitments to support Trust
- Product portfolio and customer expectations
- Risk management

We held a working session with internal stakeholders to validate the business axis, independently facilitated, to challenge and review the positioning of the issues.

### 2018 materiality matrix



## Key observations

- We saw several topics change in their relative positioning due to a number of factors, including: strategic business priorities, consumer demands and awareness, investor and indices interest and wider societal trends around expectations on issues such as diversity and inclusion and awareness and action on plastics.
- **Product innovation, Pricing & affordability and Access to healthcare** remain high priority issues which are reflected as core areas of our new set of long-term Trust commitments, published in 2018.
- **Waste and packaging** has increased in importance to stakeholders due to rising consumer pressure for companies to reduce packaging, and indications that governments may impose new taxes on plastic packaging.
- A renewed external focus on **Employee inclusion and diversity** has resulted in the increased importance of the issue to the business and is reflected as a new priority in our Trust commitments to be a modern employer.

## Changes to our list of material topics

This year, several material topics and key issues were changed or consolidated to reflect changing stakeholder expectations and business priorities. See Appendix for the full list of material topics and the issues that they cover. The main changes were as follows:

- **“Health Security”** has been added due to a rise in stakeholder interest in the industry’s role in helping the world better prepare for future disease outbreaks and health challenges, including antimicrobial resistance (AMR).
- **“Pricing”** has been changed to **“Pricing & Affordability”** to reflect stakeholder concern over balancing cost and affordability.
- **“Advocacy”** has been added to reflect the importance of appropriate engagement with external organisations.
- **“Transparency”** has been deleted as a material topic, because transparency features in several other topics and we feel it is an approach, rather than a specific topic area.
- **“Employee Safety & Wellbeing”** has been broadened to **“Employee Health, Safety and Wellbeing”** to reflect wider issue of employee health.
- **“Counterfeiting”** has been combined with **“Product safety, quality & supply”**.
- **“Charitable donations”** has been removed as a topic, as this was felt to be a mechanism through which we address a number of other material topics.

In addition, we altered the wording of a number of key issues to better reflect our areas of focus:

- **“Energy use and Climate Change”** has been changed to **“Climate Change”**
- **“Ethical Supplier Standards”** has been changed to **“Supply Chain Management”**
- **“Human rights (labour)”** has been changed to **“Labour rights”**
- **“Waste and recycling”** has been changed to **“Waste and packaging”**

## Appendix: Materiality topics and issues

Our materiality assessment focuses on 22 material topics, with 63 key issues covered by material topics. These are illustrated below:

Topic	Issue
<b>Access to healthcare</b>	<ul style="list-style-type: none"> <li>· Availability of healthcare products</li> <li>· Healthcare infrastructure (including training of healthcare workers)</li> <li>· Tailoring products to meet needs</li> </ul>
<b>Advocacy</b>	<ul style="list-style-type: none"> <li>· Public policy and lobbying</li> <li>· Relationships with patient advocacy groups</li> <li>· Trade association membership</li> </ul>
<b>Animal research</b>	<ul style="list-style-type: none"> <li>· Alternatives to animal studies</li> <li>· Animal testing</li> </ul>
<b>Anti-bribery &amp; corruption</b>	<ul style="list-style-type: none"> <li>· Conflicts of interest</li> <li>· Facilitation payments</li> <li>· Misuse of company assets</li> <li>· Theft, fraud and extortion</li> </ul>
<b>Biodiversity</b>	<ul style="list-style-type: none"> <li>· Impact of biodiversity loss on global health</li> <li>· Impact of operations, consumer use, and disposal of products on plant and animal life</li> <li>· Natural capital derived from ecosystems</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>· Climate change impacts on health</li> <li>· Operational energy use and eco-efficiency</li> <li>· Product footprint and value chain efficiency</li> </ul>
<b>Clinical trial conduct</b>	<ul style="list-style-type: none"> <li>· Diversity in clinical trials</li> <li>· Patient safety</li> <li>· Transparency of clinical trial results</li> </ul>
<b>Employee health, safety &amp; wellbeing</b>	<ul style="list-style-type: none"> <li>· Employee health and wellbeing</li> <li>· Occupational health and safety</li> </ul>
<b>Employee inclusion &amp; diversity</b>	<ul style="list-style-type: none"> <li>· Equal opportunities</li> <li>· Gender, ethnic, LGBT+ and disability diversity</li> <li>· Gender pay gap</li> </ul>
<b>Health security</b>	<ul style="list-style-type: none"> <li>· Antimicrobial resistance</li> <li>· Global health preparedness</li> <li>· Vaccine hesitancy</li> </ul>
<b>Intellectual property</b>	<ul style="list-style-type: none"> <li>· Flexible approaches to IP</li> <li>· Innovation and IP protection in healthcare</li> </ul>
<b>Labour rights</b>	<ul style="list-style-type: none"> <li>· Discrimination based on gender, ethnicity, sexual orientation, disability and other forms of discrimination</li> <li>· Forced, compulsory and child labour</li> <li>· Freedom of association and collective bargaining</li> </ul>
	<ul style="list-style-type: none"> <li>· Inter- and intra- country affordability</li> <li>· Pricing of our products</li> </ul>

<b>Pricing &amp; affordability</b>	<ul style="list-style-type: none"> <li>· Value and outcome-based pricing models</li> </ul>
<b>Privacy &amp; data security</b>	<ul style="list-style-type: none"> <li>· Cyber security</li> <li>· Data privacy for employee, supplier, customer and patient/consumer data</li> </ul>
<b>Product innovation</b>	<ul style="list-style-type: none"> <li>· Products for unmet medical needs</li> <li>· R&amp;D pipeline across our businesses</li> </ul>
<b>Product safety, quality &amp; supply</b>	<ul style="list-style-type: none"> <li>· Consumer and patient safety</li> <li>· Counterfeiting</li> <li>· Quality standards</li> <li>· Reliability and availability of supply</li> </ul>
<b>Sales &amp; marketing practices</b>	<ul style="list-style-type: none"> <li>· Product labelling</li> <li>· Product marketing</li> <li>· Relationships with HCPs</li> </ul>
<b>Supply chain management</b>	<ul style="list-style-type: none"> <li>· Social, environmental and economic standards in our supply chain</li> <li>· Supplier engagement and capacity building</li> <li>· Traceability of raw materials</li> </ul>
<b>Talent, attraction &amp; retention</b>	<ul style="list-style-type: none"> <li>· Recruitment</li> <li>· Remuneration practices</li> <li>· Training and development</li> </ul>
<b>Tax &amp; economic contribution</b>	<ul style="list-style-type: none"> <li>· Local economic contribution</li> <li>· Tax incentives</li> <li>· Tax strategy</li> <li>· Tax transparency</li> </ul>
<b>Waste &amp; packaging</b>	<ul style="list-style-type: none"> <li>· Consumer waste &amp; recycling</li> <li>· Operational waste</li> <li>· Packaging design and use of plastics</li> <li>· Pharmaceuticals in the environment</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>· Water scarcity</li> <li>· Water use in our operations and supply chain</li> </ul>