UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79005 / September 30, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3810 / September 30, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17606

In the Matter of

GlaxoSmithKline plc,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against GlaxoSmithKline plc ("Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Pursuant to 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that

Summary

A. These proceedings arise out of GSK's violations of the internal controls and recordkeeping provisions of the Foreign Corrupt Practices Act of 1977 (the "FCPA") [15 U.S.C. § 78dd].

B. Between at least 2010 and June 2013, employees and agents of GSK's China-based subsidiary and a China-based joint-venture engaged in various transactions and schemes to provide things of value to foreign officials, including healthcare professionals ("HCPs"), in order to improperly influence them and increase sales of GSK products in China.

C. This misconduct was facilitated in part by the use of collusive third parties that ostensibly provided legitimate travel and other services. The funds used for the improper inducements were frequently obtained under the guise of, and falsely recorded in GSK's books and records as, legitimate travel and entertainment expense, marketing expense, speaker payments, medical associations payments, and promotion expense. Throughout this period GSK failed to devise and maintain a sufficient system of internal accounting controls and lacked an effective anti-corruption compliance program.

D. The deficiencies in GSK's internal accounting controls and compliance program also led to instances of similar improper conduct in connection with sales in other countries in which GSK operates.

Respondent

E. GlaxoSmithKline plc is a corporation organized in the United Kingdom. Its headquarters are located in Middlesex, United Kingdom. GSK's common stock is registered with the Commission under Section 12(b) of the Securities Exchange Act and trades on the New York Stock Exchange under the symbol 'GSK'.

F. GSK is a global provider of pharmaceutical and consumer health care products and its products are sold in at least 150 countries.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Relevant Entities

G. **GlaxoSmithKline (China) Investment Co Ltd** ("GSKCI") is operated from Shanghai, China. GSKCI operations include the sale and marketing of pharmaceutical products. GSKCI is a wholly-owned indirect subsidiary of GSK.

H. **Sino-American Tianjin Smith Kline & French Laboratories Ltd** ("TSKF") is a public-private joint venture with Tianjin Zhong Xin Pharmaceutical Group Corporation Ltd and Tianjin Pharmaceutical Group Co Ltd. GSK indirectly owns 55 percent of TSKF.

Facts

I. From at least 2010 to June 2013, employees and agents of GSKCI and TSKF engaged in transactions and schemes to corruptly transfer things of value to foreign officials in China to increase sales of pharmaceutical products. The payments were made to increase sales through increased prescriptions by individual HCPs and purchases by hospital administrative staff responsible for product selection or purchase. The conduct occurred across all geographic areas within the sales and marketing functions and impacted all product lines.

J. The corrupt payments took varied forms, including gifts, improper travel and entertainment with no or little educational purpose, shopping excursions, family and home visits, and cash. The costs associated with these payments were recorded in GSK's books and records as legitimate expenses, such as medical association sponsorships, employee expenses, conferences, speaker fees, and marketing costs.

K. These improper practices were pervasive among GSKCI's and TSKF's sales and marketing representatives and were condoned by regional and district managers. For example, a 2013 work plan submitted by a sales representative to a regional sales manager described the intent to pay, among other things, an HCP RMB 20/box of prescribed product every month, and deliver appropriate gifts on each holiday in exchange for a guarantee of more than 40 boxes of prescribed product every month.

L. Among the ways employees were able to fund payments to HCPs was the use of collusive third party vendors, such as those used to perform planning and travel services for events involving HCPs. Between 2010 and June 2013, GSKCI spent nearly RMB 1.4 billion (USD $225 million) on planning and travel services. Test sampling showed that approximately 44 percent of the sampled invoices were inflated and approximately 12 percent were for events that did not occur.

M. Controls weaknesses also permitted ostensibly legitimate speaker fees to be used to improperly influence HCPs. While GSK's policies as of 2010 placed limits on the amount of fees paid to speakers per hour and by 2012 cumulatively per year, there was no effective system in place to ensure the actual identity of a speaker. Of approximately RMB 106 million (USD $17 million) spent by GSKI in speaker fees, approximately RMB 14 million (USD $2.2 million) was paid to persons whose qualification as an HCP could not be verified.

N. Marketing programs were another mechanism used to improperly influence HCPs. For example, in 2010, GSKCI engaged a local vendor to facilitate a national marketing program called the Cold Chain Project. The project was intended to provide healthcare clinics with tools to facilitate the storage and administration of vaccines that required refrigeration. However, the project was instead used to provide HCPs with gifts such as laptops, tablets, and other electronic devices. Over the life of the project, GSKCI paid out RMB 14.6 million (approximately USD $2.3 million). The project was created and administered by senior marketing and sales managers of GSKCI. The clinics selected were based upon the potential to market additional pharmaceutical products.

O. During this period, local internal audit and compliance reviews identified controls deficiencies and evidence of some mechanisms that were used to fund the improper payments, but they were treated as isolated instances rather than signs of a larger problem. For example, in 2013 a Sales Rep Office Audit was conducted by internal audit with respect to the Guangzhou office. Among the problems identified were:

- Issues of falsified POS slips and fake bank statements
- Issues of fake invoices claimed from hotels and restaurants for sales meeting activities. These invoices came from a local preferred meeting agency used by the Guangzhou office.
- Compliance and New Employee training not timely completed
- Sales employees' salaries were significantly driven by commissions that could lead to an incentive to improperly inflate sales. The audit sampled 20 percent of the sales team for the office and found that for 41 percent their sales commission bonuses were greater than 50 percent of their income.

P. As early as 2010, internal audit identified problems related to sales and promotions staff practices in China. Among other findings it noted:

> [d]uring 2010, several new policies governing commercial activities such as grants and donations and sponsorships were introduced. The significant changes, combined with the high staff turnover, contribute to an environment where many commercial and medical staff do not understand how to apply policies or the rationale behind them. This was evidenced by approval of non-compliant activities, a lack of clarity on which policy to apply for activities such as grants, and weaknesses in documentation to support the legitimate intent of activities such as advisory boards and sponsorships of HCPs to attend meetings.

Q. As a result of the conduct described above, Respondent violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

GSK's Remedial Efforts

R. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

1. During the course of the investigation, Respondent provided prompt and regular briefings regarding its own internal investigation in China, and with respect to other countries. Respondent timely conveyed the facts it learned in the course of its own investigation, promptly responded to document requests by the Commission staff, and provided translations of documents as needed.

2. Respondent also provided detailed and timely information regarding its remedial efforts, enhancements to its compliance program and implementation of key initiatives.

3. Respondent made global changes to its business. This included the elimination of most payments to doctors, including fees to HCPs to speak about the Company's prescription medicines, and altering the compensation structure for its sales force to eliminate incentive pay based on the number of prescriptions generated. Respondent enhanced its global risk assessment process, strengthened its monitoring and risk assessment tools, and increased its global compliance organization. Respondent also enhanced its third-party oversight program, including increasing the number and scope of third-party audits, and increased training and education of employees on anti-bribery issues.

Undertakings

S. Respondent has undertaken to:

1. Report to the Commission staff periodically, at no less than nine-month intervals during a two-year term, the status of its remediation and implementation of compliance measures. During this two-year period, should Respondent discover credible evidence, not already reported to the Commission staff, that questionable or corrupt payments or questionable or corrupt transfers of value may have been offered, promised, paid, or authorized by Respondent, or any entity or person acting on behalf of Respondent, or that related false books and records have been maintained, Respondent shall promptly report such conduct to the Commission staff. During this two-year period, Respondent shall: (a) conduct an initial review and submit an initial report, and (b) conduct and prepare at least two follow-up reviews and reports, as described below:

    i. Respondent shall submit to the Commission staff a written report within 180 calendar days of the entry of this Order setting forth a complete description of its Foreign Corrupt Practices Act ("FCPA") and anti-corruption related remediation efforts to

date, its proposals reasonably designed to improve the policies and procedures of Respondent for ensuring compliance with the FCPA and other applicable anticorruption laws, and the parameters of the subsequent reviews (the "Initial Report"). The Initial Report shall be transmitted to Charles Cain, Deputy Unit Chief, FCPA Unit, Division of Enforcement, United States Securities and Exchange Commission, 100 F St NE, Washington, DC 20549. Respondent may extend the time period for issuance of the Initial Report with prior written approval of the Commission staff.

ii. Respondent shall undertake at least two follow-up reviews, incorporating any comments provided by the Commission staff on the previous report, to further monitor and assess whether the policies and procedures of Respondent are reasonably designed to detect and prevent violations of the FCPA and other applicable anti-corruption laws (the "Follow-up Reports").

iii. The first Follow-up Report shall be completed by no later than 270 days after the Initial Report. The second Follow-up Report shall be completed by no later than 450 days after the completion of the Initial Report. Respondent may extend the time period for issuance of the Follow-up Reports with prior written approval of the Commission staff.

iv. The periodic reviews and reports submitted by Respondent will likely include proprietary, financial, confidential, and competitive business information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations and thus undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (a) pursuant to court order, (b) as agreed by the parties in writing, (c) to the extent that the Commission staff determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (d) is otherwise required by law.

2. Certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such

evidence. The certification and supporting materials shall be submitted to Charles Cain, Deputy Unit Chief, FCPA Unit, with a copy to the Office of the Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

B. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $20,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying GSK as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles Cain, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Mailstop 5631, Washington, DC 20549.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor

Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

D. Respondent shall comply with the undertakings enumerated in Section III above.

By the Commission.

Brent J. Fields
Secretary