

**GlaxoSmithKline Inc.**

***GSK Canada Life Sciences Innovation Fund Announcement***

**November 10, 2011  
Remarks by Paul N. Lucas  
President & CEO, GlaxoSmithKline Inc.**

CHECK AGAINST DELIVERY

Good afternoon, everyone. My name is Paul Lucas and I am the President and CEO of GSK in Canada.

Thank you all for taking the time to be here with us today. Before I begin, I'd like to take a moment to extend a welcome to our partners in the life sciences community across the country who were unable to join us in person but who are sharing this exciting event with us by viewing it on our nation-wide video webcast.

We have a few notable guests with us today that I would like to introduce. I will ask each of you to stand as I call your name.

- Ms. Tracy MacCharles, Member of the Provincial Parliament for Scarborough East
- Mr. Brad Butt, Member of the Provincial Parliament for Mississauga Streetsville; and

We are also pleased to welcome Dr. Moncef Slaoui, Chairman of Research & Development for GSK worldwide and a member of GSK's Board of Directors and the Corporate Executive Team. Today's announcement has to do with innovation, a subject I am passionate about and one that is the hallmark of my company and my industry.

Before I get to the "main event", allow me a few moments to set the stage. I promise not to keep you in suspense for too long.

Simply stated, we have an innovation gap in Canada. It is real, it is growing, and it threatens our ability to continue to build a strong and sustainable competitive advantage in a global economy.

I spoke about this issue a year ago at the Economic Club of Canada. At that time, the Conference Board had recently issued its report card on Canada's performance on a number of key economic indicators.

On innovation, we scored a "D" – 14<sup>th</sup> out of 17 OECD countries.

A year later, we're still at "D". In fact, we've been getting failing grades for about a decade.

I'm far from alone in sounding a warning bell around innovation. In 2009, we initiated a roundtable of concerned business leaders, academics and innovation champions to discuss the innovation gap.

We went on to form the Coalition for Action on Innovation in Canada, which I co-chaired with the Honourable John Manley. The Coalition issued a report and ten recommendations, which provide a clear roadmap to a more innovative Canada.

One of our ten recommendations was to expand the pool of risk capital. Since it has direct bearing on what I'm about to announce, I'm going to quote a few lines from it.

"Roughly 200 companies headquartered in Canada account for the vast majority of private sector R&D spending. This group of companies represents the future of business innovation in Canada, yet the base is extremely fragile. One major impediment to growth is a persistent shortage of risk capital through the funding cycle, from seed capital through the venture stage to mature growth.

The result is that better funded foreign companies often become acquirers of financially weak Canadian counterparts, even where Canadian enterprises have the better and more innovative intellectual property.

Building a larger pool of risk capital in Canada is essential if we are to create and grow tomorrow's successful enterprises.”

End of quote

These findings are echoed in a recent report to the Federal Government by an expert panel led by Tom Jenkins, the Executive Chairman of Open Text.

The Jenkins Panel released six important recommendations, among them to help high-growth innovative firms access the risk capital they need through the establishment of new funds where gaps exist.

In making this recommendation, the Jenkins Panel noted that “too many innovative Canadian firms that have the potential for high growth are unable to access the funding needed to realize their potential.”  
End of quote.

The absence of risk capital and the impact that it has on the ability to commercialize discovery also effects the pharmaceutical and life sciences industry.

Let's take a moment to look at the situation in the research based pharmaceutical industry in Canada:

Our industry has long been a champion of innovation in Canada and invests more than \$1 billion in R&D each year. At 11% of the total Canadian private sector pie, that makes us the second largest investor in R&D among all industry sectors in Canada.

However, when it comes to R&D investment in our industry, there are some disturbing trends. R&D spending has not grown significantly through the last decade.

Clinical trials is another critical element in the new medicine 'pipeline'. Although Canada has been a world leader in clinical trials throughout the last two decades, recent trends indicate a continued year-over-year decline in these investments.

We are experiencing these declines because the pharmaceutical policy framework does not adequately support innovation and does not support us competing on the global stage.

In short, we can neither attract nor generate the level of risk capital required to commercialize the world-leading research and invention that is occurring in Canada. As a result we risk falling further behind in developing a productive life sciences sector, which is so important for the growth of our knowledge-based economy.

I submit that the challenges that I just described affect all Canadians because every one of us will benefit from innovative medicines during our lifetime. Our products add significant value to our healthcare system and are one of the keys to a sustainable system.

Today, GlaxoSmithKline is taking a major step towards addressing the innovation challenge. We are establishing the GSK Canada Life Sciences Innovation Fund.

This Fund will provide \$50 million to significantly advance the commercialization of scientific innovation in Canada by investing in early stage breakthrough research.

The fund will identify strategic investment opportunities within Canada's Life Sciences industry including academic and health institutions, translational research centres and start-up companies. It will provide a competitive advantage to our Life Sciences industry and help advance the commercialization of research.

Our purpose in doing this is straightforward: we want to "prime the pump", so to speak, to ensure a continuous flow of new medicines that we can bring to market for the benefit of patients.

The GSK Canada Life Sciences Innovation Fund is a direct and strategic investment in the Life Sciences value chain upon which our business depends. It enhances GSK's reputation as an R&D leader and a trusted partner in the Canadian Life Sciences sector. Finally, it represents a novel approach to fulfilling the pharmaceutical industry's commitment to invest 10% of our Canadian sales in R&D.

This new fund is precisely the kind of private sector initiative that is needed to help close Canada's innovation gap. My colleagues and I at GSK are very proud of the contribution this fund will make to Canadian science and innovation.

Another of the key recommendations made by the 'Innovation Coalition' was for Canada to adopt the world's strongest intellectual property regime.

It goes without saying that the protection of new ideas and inventions is important to a broad range of Canadian venture companies involved in innovation. It is especially crucial in the pharmaceutical and Life Sciences.

As it stands, Canada's pharmaceutical industry today does not have a globally competitive intellectual property regime, and this is a major deterrent to the commercialization of new medicines.

The Canadian Government and the European Union are now in the final rounds of negotiating a comprehensive Economic and Trade Agreement, with the goal of finalizing a deal by next year.

This is a stellar opportunity for our governments to press for a final agreement that guarantees Canadian venture companies, and our research-based pharmaceutical industry, the robust intellectual protection they need to become world innovation leaders.

The task of lifting Canada from a "D" grade to an "A" grade on innovation will not be quick, and it will not be easy. But today, the pool of risk capital for R&D spending is \$50 million deeper.

*I'd say that's a pretty good day for innovation in Canada.*