

# Podcast transcript

## Tax Reimagined with GSK

Podcast with Sean Bloodwell, Global Head of Compliance Services, KPMG International; Melissa Geiger, Global Head of Strategic Corporate in Global Tax & Legal Services, KPMG International; and David Gordon, Senior Vice President and Global Head of Tax, GSK.

*Musical intro*

**Sean Bloodwell:**

Hello, I'm Sean Bloodwell, Global Head of Compliance Management Services in our Tax Reimagined offering for Tax and Legal Services. Today, it's my pleasure to bring you a real-life department case study in action, looking at how the tax function is transforming for modern demands, rethinking target operating models in response to digitisation, regulatory change, real times tax collection and compliance management, and new expectations from the business and external stakeholders alike. I know this is a topic for many tax leaders that I speak to in this environment. To help explore this today I be pleased to be joined by Melissa Grieger, Global Head of Strategic Corporate and Global Tax and Legal Services, and Senior Vice President and Global Head of Tax for GSK, David Gordon. Welcome, David and Melissa.

**Melissa Geiger:**

Hi, thanks, Sean. I'm really looking forward to this discussion actually and very pleased to be here with David my former colleague from GSK. GSK is of course a pharmaceutical company, multi-national conglomerate, headquartered in the UK, with ninety-four thousand or more employees I think, across nearly a hundred markets worldwide, with an annual turnover of £34 billion in 2020, so fair to say it's a very large and strategic corporate. So, thank you very much David for being here today. We're of course gonna speak about tax transformation, and your experience in reimagining the tax function across the GSK organisation. But first, why don't you tell us a bit about yourself and your background in tax in your current role.

**David Gordon:**

Thank you, both Sean and Melissa, pleasure to speak to you guys as always. Well, my background, I spent fifteen years at KPMG, predominantly focusing on M&A. I sat as part of KPMG's Private Equity Group, advising on M&A deals, refinancing, reorganisations, for both private equity organisations themselves, and for their portfolio companies. I was then persuaded by you, Melissa, as Head of Tax at GSK at the time to come on secondment to GSK, to support on the significant transaction that was going on between GSK and Novartis at the time.

And as you put it, to enjoy the corporate lifestyle for six months or so. I did end up working through the night for six months, but did really enjoy it, to be honest and then jumped at the chance to join your team at the time as head of tax for our consumer healthcare business, as I was and then when you left to rejoin KPMG, and I became GSK's Global Head of Tax, which that was pretty much four years ago now and it's certainly a very interesting four years it's been as well, so thank you for leaving that for me.

**Melissa Geiger:**

I know, certainly plenty to do if I remember rightly. So, I'm a bit keen to talk to you actually about that kind of collaboration that we've had with KPMG, and obviously now I'm back at KPMG with the strategic corporates role, and now I lead the relationship with GSK, and I think it would be useful just to hear a bit about the specific journey with GSK, and where KPMG and GSK have worked together. But Sean, what might be useful actually first is to kind of set the big picture in terms of the challenges that we see organisations grappling with in terms of compliance around the world, and what the real drivers are, and how we've developed our Tax Reimagined approach in the first place in like KPMG.

**Sean Bloodwell:**

Yeah no I agree I think it sets the table for the discussion nicely. I mean, there's a whole host of drivers right now and Melissa and David you guys are more than aware. Particularly right now from a resourcing standpoint, I'm seeing lots of companies having challenges, maintaining their resources, or bringing in resources to deal with the demands that a tax department faces today. In addition to that I just think, you know the levels of investment and the ability to invest in leverage technology, or centralised resources is a key driver. Companies are looking for ways to improve the performance of their tax department, and the cost and the barriers to entry could be significant, and so making those decisions around how to invest, how to develop technology et cetera, are one of the challenges. And of course I think just the regulatory environment itself; the amount of disclosures continues to increase the ways tax departments are requesting data from clients presents new challenges, and tax reform and changing legislating agendas really kinda puts a tax department on their back feet in terms of how much time they have to spend to react, not just in terms of

dealing with compliance and tax planning, but also the global tax reporting as well. And so you just see a lot of tax departments being forced to do a lot more with less, and the demands in terms of accuracy and the results are just as high, if not higher than ever. David I know you and I have had this conversation before, I assume it's, you know kind of consistent with what you're seeing within your organisation. Anything different, or anything you have you add to kind of what I'm seeing, you know from a global perspective?

**David Gordon:**

I think you put it very well Sean, we are seeing significant changes in the global tax environment at the moment. In particular, utilisation of digital methods of data collection by tax authorities. We're seeing national and international tax reforms, you know that's only going to increase with the impact of COVID. We're seeing an increase in tax audits, an increase in auditor scrutiny as well, so, it's really the perfect storm at the moment. Everything's contributing to a significantly increased tax compliance burden for multi-national companies like GSK. You know, and it's important to say you know you talk about, you know increasing demands for resources and so on. You know, we've got some superb tax compliance specialists and tax technologists within our team, but, it isn't our company's focus, we're a pharmaceutical company at the end of the day and we're a big company as well but we don't necessarily have the scale to be at the forefront of the leading tax technologies on our own, so, you know we are seeing increasing costs, we're seeing increasing head count pressures, you know increasing challenges with keeping a pace with the technology needed to address the different approaches that tax authorities are taking all round the world. So yeah, I completely there's there's a lot of pressures in terms of how we're dealing with our compliance position at the moment and always looking at what's the right ways to approach that and finding new and innovative ways to it is quite an exciting part of the job at the moment, I think.

**Melissa Geiger:**

Yeah, definitely. I mean, and that's certainly something I hear when talking to other heads of tax as well like all of those things that both you, and Sean were talking about really ring true in terms of those pressures. I mean, one of the things that I'd like to touch on since we have you to ask you the questions about is when we bring this Tax Reimagined approach it's fair to say you know, it's actually quite a journey, it's not something where you decide well we're outsource or we're gonna look at this, or this provider, or we're gonna manage our data better et cetera, these things take time and we've obviously been on quite a long journey together specifically over the last, you know three years with the contract. It would be really useful to get some of your views on what the experience has been like from the beginning until now.

**David Gordon:**

Yeah, definitely. Something we obviously talk about a lot Melissa and I've talked about extensively over the last few years. I think it's important to say, you know, right from the start that the compliance engagement, the outsourcing contract that we talk about, that we have with KPMG, is certainly not your traditional old school outsourcing contract you know, throw it over the fence

for someone else to worry about. I very much see the KPMG compliance teams as an extension of my own team, you know it's very much a partnership and our teams work extremely closely together to make it work for both of us. I happen to be at GSK House today, for the first time in a while and a couple of my team, who are focused on the KPMG partnership that we've got I've heard them on the phone constantly pretty much, the people at KPMG and that's obviously great for me to hear. It obviously helps, you know, they used to do my job and so, you know many of the issues that you kindly left behind for me to deal with, but also, you know a number of people from the GSK team who now work at KPMG and vice versa so, our teams know each other well, we know how each other works, we know each other's priorities and stakeholders and so on as well so, there's a huge number of benefits of the partnership that we've got with KPMG. But in particular, what does it come down to, we're trying to manage the increasing burden of compliance without an exponential increase in the cost of compliance. We've seen a reduction in the core compliance feeder we've got, which is allowing us to absorb an ever-expanding compliance workload. You know, I think, from our perspective, it's added resilience in the face of what is a rapidly evolving tax landscape and legislative landscape; collaborating with and having that partnership with KPMG means that we've got access to high calibre staff, access to the latest in compliance technologies that GSK could not economically develop alone. You know, as I said before we've got great tax technologists within the team, but we need them to be working very closely with an organisation such as KPMG that's got the skill to really invest across a broad range of clients. So yeah, I think it's certainly had the impact of raising the quality of compliance, and providing a standardised approach and visibility to our tax profile to help us to manage tax risk. It's probably fair to say, Melissa, that we didn't necessarily see the benefit straight off the bat, but I think we all probably had unrealistic expectations going in that KPMG, being involved and picking up our compliance would suddenly everything would be so much better but, over time our teams work together to implement improvements on both sides and, we're definitely on both sides investing in making it a success and we're starting to see the benefits of that just a few years down the line I think.

**Melissa Geiger:**

Yeah, no, I agree and I think that's interesting actually because often people think that these things, we can throw them over the fence, I think was your phrase earlier and actually make things work better potentially but, the technology part is important, but it's an important part of the journey rather than the whole journey, but I wonder how you found that in terms of the technology piece overall and what that looked like or how, how, was that a big part of what happened or do you think a lot of it was the teamwork and the way things operated differently together?

**David Gordon:**

Well both things, really. I mean the technology demands that we had that were imposed on us I suppose by, tax authorities around the world. You know, you've got every tax authority takes a different, you know, it's not a consistent approach all around the world that even year on year, within specific jurisdictions, the demands and the requirements change, and our ability to keep a pace with that change, I think, was a fundamental driver and us looking at how we do something

differently, and certainly, being able to access the technology resources that KPMG has had helped us to keep pace with those changes, but ultimately, what does it come down to, it comes down to the collaboration between the teams as I say, we've got, a very good in house tax team, some great tax technologists, and we have them working very closely with your tax technologist specialists as well so that, there's improvements that KPMG can make, and we need you guys to be at the forefront of the leading technologies, that's what we're leveraging at the end of the day, but likewise we've got internal initiatives as well around data quality, and state of visualisation and so on as well that my team are working on, and then we've got initiatives that we're working on jointly together, such as improving data quality. So, it's very much around the data quality tools that you have, but also, leveraging that partnership as well and continuing to drive forward the benefits of the overall partnership that we've got I think.

**Melissa Geiger:**

Do you think that it has helped the team, in terms of what they've been freed up to work on, and how you've managed to divide the roles up, but also get access I suppose, to seeing what's happening and seeing how the technology pieces have helped them do their roles as well?

**David Gordon:**

Yeah, definitely. Again, that was a large of part and what we were looking to achieve from the partnership. We probably spend a huge amount of a time as a global tax team in the past, working on compliance, you know compliance was a big part of pretty much everybody across the global tax team's roles in some way, and because that's the thing that needs to be done, you know you need to be compliant with your tax position and that's what gets addressed as the number one priority, and one of the things we did do, is we created an indirect an operational taxes team which were focused on the operational the compliance side of activities, and separating that from the most strategic business partnering, aspects as well, and certainly doing that has allowed us to free up people to make sure that they're prioritising the high value added activities that are going on as well, whilst at the same time making sure that we deliver our compliance obligations that we've got.

**Sean Bloodwell:**

David, you alluded to this a couple minutes ago, not everything goes exactly how you planned it to go, so I assume there was challenges that came up, along the way. Maybe, give a little insight into what some of those challenges were, and how as a partnership we were able to overcome that.

**David Gordon:**

Yeah, definitely. Challenges along the way. The compliance, the processes, systems and processes that we had in place, you know say four/five years ago, before we entered into this sort of strategic partnership KPMG were absolutely, not perfect by any stretch of the imagination. And, as I said, I think we had unrealistic expectations around being able to pass it to KPMG, and it was very much a sorta lift and shift at the time over to you guys, and doing that, everything's not going to just change overnight and fundamentally improve, you know these things take time, so, I think, looking back,

we did have unrealistic expectations. I think, you guys have had to run cycles of the compliance cycle, to identify where the challenges are, where improvements could be made and, a number of years down the line we're in a very good place where we know where the challenges are, we know what the improvements that need to be made, and now it's making sure that our collective teams work very closely together to drive those improvements and that's really where the focus is now rather than just fighting fires as it was suppose initially of rectifying issues that were falling out of the original processes that we had I think.

**Melisa Geiger:**

And I think the other thing that was good was the way that we managed the governance around that. So, we were very clear on what the targets were for the things that we were gonna improve following the first cycle, and then as we improved those, we brought those back to the governance, we made sure we understood what and where the problems were, and then we went to fix them and then proactively we could see. And it was the same with the rollout of different parts of the technology you know, as KPMG's technology has evolved over the last three years and we wanted to roll those things out, with GSK we looked at how we would do that, what the plan would be, which country's first et cetera, et cetera and I think we worked in collaboration and you know those quarterly steering close that we have were important meetings where issues were properly discussed as opposed to the meetings you can sometimes have where people just want to come and tell you how well it's going, those were the meetings where we really talked about yes but what are the improvements as well, that's great that these things have gone well but where else can we improve how can we do better and I think the focus of those for me has been really helpful to, understand where the pain points are on the various teams so we can help alleviate them in yours and my role, as well as focus the efforts of the team on some of the things that really are gonna make the difference overall.

**David Gordon:**

Yeah, and I think the point that I made before about this isn't just, throw it over the fence is extremely important as well. You know, we do still have a reasonably sized internal team who are focused on, managing our compliance engagement with KPMG, and they do a great job of liaising with your team and making sure that we're identifying what the priorities are that, you know it's issue identification, and resolution and making sure we've got plans in place to address them, and as you say that's very much part of the governance that we put in place to make sure that we're tracking how we're progressing, what the issues are. You know it's very visible to me, it's very visible to you as well Melinda and we catch up on a regular basis to make sure that, we understand what's going well, what's not going well, and making sure the teams have got plans in place to address them. You know I think that's a big part of why we're seeing the improvements in the contract as we go. You know, it's a long way to go just as anything and it's never gonna be perfect, but I think, whilst initially the first couple of years but it was quite a lot of noise coming from our wider finance organisation, and our tax team around issues with the compliance process as it were continuing, but I think the general feedback that I'm getting now from all across our finance organisation and the tax team is that we are seeing improvements.

You know, there's pockets of areas where we do need to have more focus but overall the general feedback is definitely far more positive than it ever has been, I think.

**Melissa Geiger:**

Yeah, and I think that's, it's interesting when we're doing more change probably, than we have done as well, so in a sense you kind of have to bring people on that change journey, with you, and make sure they understand why it's a benefit to them, and how some of these changes to the processes that they've been doing for a long time, or they've been confident with their work rounds or spreadsheets or other ways of getting things done, which obviously were compliant but were costly and clunky. You know, a change to automation or using other technology is in their best interests as well. And actually, it's interesting to see sometimes the people who are the most difficult as you start something actually you're the most excited by the dashboards, and the ability to see stuff and you know, the real time that you can get in terms of information et cetera, as you improve these processes.

**David Gordon:**

Yeah, some people might say tax compliance doesn't necessarily have the best reputation as being the most sexy side of tax or finance, but actually, the things that we're doing now, collectively, in terms of improving the processes, huge use of Ultrex as a tool for streamlining our processes internally, bots automating processes and so on, there's a huge amount of interesting things going on from a compliance perspective, and we've got some great talent in the team and it's an area we're continuing to heavily invest in. So, it's definitely one of the more interesting areas to be in from a tax perspective these days which possibly wasn't necessarily in the past so, that's a great thing I think as well.

**Sean Bloodwell:**

Yeah. David, just listening to you I get the sense that this concept of transformation and moving on this journey is just as important as getting the compliance done. How do you measure that, and how do you communicate that to your stakeholders in in order to support that this is successful? Because that can be difficult sometimes, right? Cost is easy to measure. Sometimes, some of these intangible benefits could be harder how have you guys faced that?

**David Gordon:**

Yeah, and that's something we're working very closely with fewer teams on. You've got good compliance platforms. One of the benefits of having an outsource provider that has access to all our data and is doing a large part of our compliance, is feeding that information back into us that gives you guys great insights, it allows us to track how we're doing from a compliance perspective, we're getting better feedback from your tools, that tells us how we're tracking against our compliance obligations and so on. What we don't have necessarily is, we didn't have access to all that information before, so it's difficult to tell, how we're comparing against the past, but it's something we're definitely tracking going forward, but you know anecdotally, far less noise in the system from our wider finance organisations in terms of how we're delivering

our compliance and so on, and whether it's smooth or hard from their perspective as well. So, yeah, it's a difficult thing to track, but certainly going forward but in a far better position, and far better visibility over whether we actually are delivering our compliance than maybe we had in the past, which is obviously fundamental in what we're looking to achieve at the end of the day.

**Melissa Geiger:**

Yeah, definitely. So, I have one final question for you I think before we wrap up which was: others will be listening to this probably with the point of view of well "what can I do what does this mean for me?" you know, so, what advice would you give to other major corporations, and I know people have asked you before embarking on this kind of Tax Reimagined journey, what would be sort of David Gordon's advice or top points to think about?

**David Gordon:**

Yeah just don't do it, yeah. But no, not at all it's... you know there's different ways to manage your compliance and you know, I used to speak to other head of tax a lot about different options and people have got different opinions on outsourcing, or in house approaches, and so on, and there's pros and cons with different approaches. You know, I'm very buttoned to the approach that we are taking. We've probably gone further than most other organisations and probably gone earlier than most other organisations as well, in terms of having our pool sort of end to end managed service, direct access into our systems for our compliance providers, and responsibility for statutory accounts, for the transfer pricing processes, corporate tax returns, and so on. All processes which we managed individually before, they all had separate issues, and we dealt with those issues independently, but they're all completely interlinked, so it makes absolute sense, deal with them as one process, and going through this managed service process has allowed us to identify the best way to manage the challenges that we face, and have a standardised process for each of those interrelated services. So, yeah, from our perspective it's something that's definitely been successful I think it's perceived as successful within senior parts of my organisation, and at the end of the day what are we looking to achieve? Looking to achieve compliance, we want to be compliant in our tax position, and we want to have a sustainable platform to deliver that ever-increasing burden of tax compliance without substantially increasing the cost. And certainly that's what I feel like we've got and I do feel like we've got far better greater visibility over our tax profile and it puts us in a good position to manage our wider tax affairs as well. So yeah, it's a positive experience from my perspective. You do sometimes hear negative feedback around outsourcing arrangements, but I think, the early days are challenging. Anyone who expects it to just be a silver bullet that you click your fingers and everything just miraculously improves, that's just not going to be the case, it needs to be a partnership, it needs to work for you guys, for the compliance provider, it needs to work for us as well, and it very much needs to be a collaboration over a number of years to work on the improvements together and that's very much what I think we've got, so yeah, I'm certainly very happy with it and happy to get very positive feedback to anyone who wants to discuss it.

**Melissa Geiger:**

That's good. So, yeah, well you didn't mean no when you said at the beginning you actually meant yes, so that's good. No, I think you're right. I mean, not wanting to quote strictly which for the British people obviously is the new Strictly Come Dancing, it is a bit of a journey. I think it's Dancing with the Stars, isn't it, Sean in the States, but it is a bit of a journey and I think that's right.

I think it's making sure you understand what it is you want to achieve out of the journey, and then how you're going to get there and what the key milestones are et cetera so, thank you very much.

**David Gordon:**

Well it wouldn't be a conversation with you Melissa without you mentioning Strictly Come Dancing in some, in some way--

**Melissa Geiger:**

It's true. I can't believe I got it into a Tax Reimagined podcast. Sean you better take back over, go on.

**Sean Bloodwell:**

Yeah, I'm a little nervous I'm gonna lose control of this conversation but just wanna thank both of ya. I thought this was great. Hopefully it's illuminating for those who are out there trying to make similar type of decisions around what they want to do with their target operating model, and David we look forward to continuing this journey and working together with you, so thank you both.

**David Gordon:**

Yeah, likewise. Thanks very much

*Musical outro*

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