GSK PENSION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

SCHEME REGISTRATION NUMBER: 10135471

CONTENTS

YEAR ENDED 31 DECEMBER 2022

GSK PENSION SCHEME

TRUSTEE AND ADVISERS

YEAR ENDED 31 DECEMBER 2022

Principal employer	GlaxoSmithKline Services Unlimited
Participating employers	ViiV Healthcare UK Limited GlaxoSmithKline Consumer Healthcare (UK) Trading Limited (terminated 1 April 2022) Galvani Bioelectronics Limited
Trustee	Berkeley Square Pension Trustee Company Limited
Trustee directors	**Chairman and Independent Director** The Law Debenture Pension Trust Corporation p.l.c. - represented by Mr Mark Ashworth **Independent Director** Mr Allan Whalley (resigned 13 February 2023) Ross Trustees Services Limited - represented by Mr Pavan Bhardwaj (appointed 13 February 2023) **Company Appointed Directors** Mr Steve Cowden (resigned 30 June 2022) Mr David Brown Mr Paul Blackburn (appointed 1 January 2022) Ms Mandy Cooke (appointed 1 July 2022) **Member Nominated Directors** Ms Sandra Humphrey (resigned 30 June 2022) Mr John Watson (resigned 19 March 2023) Mr David Wintle Ms Wei Lan (appointed 1 July 2022)
Secretary	Ms Carolina Lyons (appointed 1 April 2022) Mr James Chemirmir (resigned 31 March 2022)
Scheme administrator	Towers Watson Limited (trading as WTW)
Accounting and Trustee support	Towers Watson Limited (trading as WTW)
Actuary	Mr Tim Panter FIA Partner in the firm of WTW
Independent auditors	Grant Thornton UK LLP
Legal advisers	Sacker & Partners LLP
Bulk annuity monitoring	Lane Clark & Peacock LLP

Investment adviser	**Defined Benefit**
	Cardano Risk Management Limited
	Defined Contribution
	Mercer Limited
Liability hedging manager	Legal and General Assurance (Pensions Management) Limited
Investment managers	Legal and General Assurance (Pensions Management) Limited PIMCO Europe Limited ("PIMCO") (appointed 4 March 2022)
Custodian	The Bank of New York Mellon (International) Limited
Covenant adviser	Penfida Limited
Bulk annuity provider	The Prudential Assurance Company Limited
Bankers	HSBC plc
Performance measurement	The Bank of New York Mellon (International) Limited

Background to GSK UK Pensions

The GSK Pension Scheme is one of the UK Tax Registered pension schemes that is in place for employees of GlaxoSmithKline plc ("GSK") and associated companies. These schemes were initially created by the various employers who later combined to create GSK via a series of mergers. These schemes are as follows:

Scheme name	Benefit structures
GSK Pension Scheme (GSKPS) known as the Glaxo Group Pension Scheme until 31 October 1996 and then Glaxo Wellcome Pension Scheme until 31 December 2001.	**GWPP*** - admitted new members until 31 December 2001. It provides both defined benefit and defined contribution benefits: **a) Defined benefit section** - benefits for employees who were already active members of the scheme on 31 October 1996 and new members aged over 40 between 1 November 1996 and 31 December 2001. Also, for members switching from the defined contribution section at 1 January 2002. **b) Defined contribution section** - benefits for employees who became active members between 1 November 1996 and 31 December 2001. Existing members of the defined benefit section at 31 October 1996 could also switch to defined contribution benefits. **GSK Pension Plan (GSKPP) -** Defined contribution benefits for employees who started employment with GSK on or after 1 January 2002 and employees who were members of other GSK schemes at that date and chose to join GSKPP. In addition, new employees of new participating employers can join the GSKPP. Members of the GWPP and SBPP who were employed at 31 March 2022 joined following closure to accrual of those schemes
GSK Pension Fund (GSKPF) known as the Wellcome Group Pension Fund until 31 October 1996 and then as Glaxo Wellcome Pension Fund until 31 December 2001.	**GWPP*** - admitted new members until 1 November 1996. It provides both defined benefit and defined contribution benefits: **a) Defined benefit section** - benefits for employees who were already active members of the scheme on 31 October 1996. Also for members switching from the defined contribution section at 1 January 2002. **b) Defined contribution section** - for existing members of the defined benefit section at 31 October 1996 who could switch to defined contribution benefits.
SmithKline Beecham Pension Plan (SBPP)	**a) Defined benefit section** - closed to new entrants from April 1997. **b) Defined contribution section** - benefits for employees who became active members between 1 April 1997 and 31 August 2001. The Trustee closed this section to further contributions in July 2009 and the active members were transferred to the GSK Pension Scheme (GSKPP section) for future service.
SmithKline Beecham Senior Executive Pension Plan (SBSEPP)	**a) Defined benefit section** - closed to new entrants with effect from 31 December 2001. **b) Defined contribution section** - for existing members of the defined benefit section who paid AVCs or transferred benefits in on a defined contribution basis.
Glaxo Wellcome Contracted-Out Money Purchase Scheme (GWCOMPS)	**a) Defined contribution** - the scheme was established on 1 July 1988 and closed to new investment on 31 December 2001.

* GWPP refers to the Glaxo Wellcome Pension Plan which is a set of pension benefits that was offered to both GSK Pension Scheme and GSK Pension Fund members from November 1996.

Introduction

The Trustee is pleased to present its Annual Report and Financial Statements for the year ended 31 December 2022 for the GSK Pension Scheme ("the Scheme").

The Scheme is an occupational pension scheme established under trust in the United Kingdom. It was established to provide retirement benefits to certain groups of employees within the GSK plc group.

The Scheme has a Defined Benefit section ("DB") which is no longer open to new members, but existing members continued to accrue benefits until 31 March 2022. It also has two defined contribution sections ("DC"), one of which is closed to new members but open to future contributions, and the other is open to new members, and future contributions, and is used as an auto enrolment scheme by the participating employers.

During the year, following consultation with affected employees, it was agreed to close the DB Section of the Scheme to future accrual with effect from 31 March 2022.

Trustee

The Trustee, during the year and at the date of this report, was Berkeley Square Pension Trustee Company Limited ("the Trustee").

The provisions of the Scheme for appointing and removing Trustee Directors from office are set out in the Articles of Association of the Trustee.

The Trustee also acts as Trustee of the GSK Pension Fund and the Glaxo Wellcome Contracted-Out Money Purchase Scheme.

The Trustee Directors are comprised of:

- 2 Independent Directors
- 3 Company Appointed Directors
- 3 Member Nominated Directors

The Company Appointed Trustee Directors are appointed and removed by GlaxoSmithKline Services Unlimited ("the Company"). The Member Nominated Trustee Directors are drawn from the membership. The Independent Trustee Directors are appointed by the Trustee Board.

The Trustee Board comprises of the Trustee Directors are normally appointed for four-year terms.

The Trustee Directors who acted both during the year and at the date of this report were as reported on page 1 of this report.

The Trustee Board meets four times a year and on additional occasions where business requires this. Decisions are made by majority vote. There were four (2021: four) full board meetings during 2022 and thirteen (2021: thirteen) meetings of the various committees (see pages 5 to 6).

The Trustee Board takes decisions by a majority of votes cast by the individual Trustee Directors, subject to detailed quorum and special business requirements.

Governance and Risk Management

Committee Structure

The Trustee has established a series of Committees to discuss specific areas of business. These Committees and their roles are set out below. Each is governed in accordance with Terms of Reference which are reviewed annually by the full Trustee Board. Each operates in accordance with a business plan to ensure that appropriate consideration is given to the business of the Scheme.

The Committees that are in place are as follows:

*Committee	Role	Members (representing this Scheme)
Joint Audit, Risk and Operations Committee	To oversee the relationship with the external auditors. To review and approve the Financial Statements on behalf of the Trustee. To monitor the risk management and control activity that is undertaken on behalf of the Trustee. To monitor the annuity policies. To act on behalf of all of the GSK UK Schemes.	Mr David Brown (Chair) Mr David Wintle
Joint Defined Contribution Committee	To monitor the provision of defined contribution benefits. To take investment decisions in respect of Defined Contributions investments which have been formally delegated to it by the Trustee. To act on behalf of all of the GSK UK Schemes.	Mr Allan Whalley (resigned 13 February 2023) Ross Trustees Services Limited - represented by Mr Pavan Bhardwaj (appointed 13 February 2023) Ms Sandra Humphrey (resigned 30 June 2022) Ms Wei Lan (appointed 1 July 2022) Ms Mandy Cooke (appointed 1 July 2022) Mr Paul Blackburn (resigned 31 July 2022) Mr John Watson (appointed 1 August 2022 and resigned 19 March 2023)
Joint Investment Committee	To take investment decisions in respect of Defined Benefit investments which have been formally delegated to it by the Trustee. To act on behalf of all of the GSK UK Schemes.	The Law Debenture Pension Trust Corporation p.l.c. represented by Mr Mark Ashworth (Chair) Mr John Watson (resigned 31 July 2022) Mr Paul Blackburn (appointed 1 August 2022) Mr Allan Whalley (resigned 13 February 2023) Ross Trustees Services Limited - represented by Mr Pavan Bhardwaj (appointed 13 February 2023)

*Committee	Role	Members (representing this Scheme)
Joint Special Situations Committee	To consider any corporate activities which impact the Scheme.	The Law Debenture Pension Trust Corporation p.l.c. – represented by Mr Mark Ashworth (Chair) Mr Steve Cowden (resigned 30 June 2022) Mr John Watson (resigned 19 March 2023) Mr Allan Whalley (resigned 13 February 2023) Ross Trustees Services Limited - represented by Mr Pavan Bhardwaj (appointed 13 February 2023)

*The Committees are joint with SBPP and SBSEPP, and as such, have additional members representing these plans.

Risk management

The Trustee operates a formal risk management programme which is defined under Policy. A risk register is maintained and reviewed on a regular basis. The main controls in place over key risks are documented, monitored and reported upon. Advisers are monitored in accordance with service level agreements and reports are made to the Trustee as to their performance. Each adviser is reviewed on a regular basis.

Changes to the Scheme rules during the year

The GWPP section was closed to all active members with accrual ceasing 31 March 2022.

Closure of DB Section of the Scheme for future accrual

A Deed of Amendment was executed on 3 March 2022 to amend the GWPP Rules so that the Company could effect closure in the same way for all members.

A Deed of Amendment was executed on 25 March 2022 to amend the GWPP Rules and the GSKPP Rules to reflect the closure to accrual under the Defined benefit Section of the GWPP, to reflect certain terms applicable to affected members (consistent with what had been communicated to those members), and to clarify the interaction between GWPP and GSKPP benefits for affected members going forward.

A Deed of Amendment was executed on 21 April 2022 to update the transfer out power in the GSK Pension Scheme Rules.

Administration of the Scheme

The Trustee has delegated the day to day administration of the GWPP and GSKPP Sections of the Scheme to WTW.

GSK Consumer Healthcare Demerger

On 18 July 2022, GSK plc completed the demerger of its Consumer Healthcare business from the GSK Group to form Haleon plc. Following the demerger, 54.5% of Haleon is held in aggregate by GSK shareholders, 6.0% is held by GSK (including shares received by GSK's consolidated ESOP trusts) and 7.5% is held by three Scottish Limited Partnerships (SLPs) set up to provide collateral for additional funding for GSK's UK defined benefit pension schemes.

The GSK Pension Scheme, through its SLP interest, is entitled to receive a distribution from that SLP an amount equal to the net proceeds of sales of Haleon shares, and to receive dividend income on the Haleon shares until it has received an aggregate amount equal to an agreed threshold ("Proceeds Threshold"). The Proceeds Threshold totals £627.2m (as increased by notional interest on the remaining balance from time to time), and payment of this amount would fully fund the cash funding or "technical provisions" deficits in the pension scheme shown by the 31 December 2020 valuation. Once the Proceeds Threshold has been reached the GSK-controlled General Partner is entitled to sell the remaining Haleon shares held by the SLP and distribute the proceeds to GSK. If the pension scheme does not receive aggregate cash equal to the applicable Proceeds Threshold within 18 months after separation, then the Trustee of the pension scheme will have the ability to require the SLP to instruct a broker to liquidate any remaining Haleon shares on behalf of the SLP in accordance with an agreed mandate.

In May 2022, assets were sold out of the GSK Pension Plan as part of a bulk transfer following the separation of the GlaxoSmithKline Consumer Healthcare (UK) from the sponsoring employer. This represented 1,629 members.

As at 31 December 2022, total cash contributions totalling £446.8 m were made towards the Proceeds Threshold leaving a principal amount of £180.4m outstanding to the Scheme.

Market volatility impacting Liability Driven Investments ("LDI")

The GSK Pension Scheme adopts an LDI strategy. Swaps and leveraged gilts are utilised alongside physical holdings to achieve the target level of interest rate and inflation hedging.

Long-dated gilt yields had been rising gradually all year due to expectations of higher inflation and base interest rates. Following the Monetary Policy Committee's meeting on 21 September and "mini-budget" on 23 September bond yields rose dramatically, leading to intervention from the Bank of England on 28 September. This led to markedly higher collateral requirements in order to continue to maintain the target hedge levels. Cash was transferred to the LDI accounts and assets were liquidated (predominantly equities) in order to meet margin calls and maintain elevated collateral buffers. On 14 October 2022, recognising the potential cliff edge as a result of the Bank of England withdrawing further support measures, the Company voluntarily accelerated deficit repair contributions due to the GSK Pension Scheme under the existing Schedule of Contributions.

As a result of these events, there has been extensive interaction with the investment consultant and hedging manager to ensure the governance and monitoring frameworks remain robust going forward. Furthermore, the target asset allocation has been altered to allow for a greater investment in collateral eligible assets. Whilst the headline target asset allocation has changed, the make-up of the portfolio and corresponding investment strategy is such that the same level of return is expected over the long-term.

Financial developments and financial statements

The Financial Statements included in this Annual Report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the GSK Pensions (gskpensions.co.uk) website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Membership and benefits

The changes in membership during the year are as follows:

Defined benefit section

	Active members	Deferred members	Pensioners	**Total**
At 1 January 2022	906	5,257	10,689	**16,852**
Adjustments to prior period*	(21)	–	31	**10**
New beneficiaries**	–	–	125	**125**
Members retiring	(19)	(311)	330	**–**
Members leaving prior to pensionable age	(866)	866	–	**–**
Deaths	–	(21)	(346)	**(367)**
Cessation of dependent pensions	–	–	(16)	**(16)**
Transfers out	–	(195)	–	**(195)**
Trivial commutations	–	(27)	(20)	**(47)**
At 31 December 2022	–	5,569	10,793	**16,362**

Defined contribution section

	Active members	Deferred members	Pensioners	**Total**
At 1 January 2022	10,578	18,041	451	**29,070**
Adjustments to prior period*	(124)	114	5	**(5)**
New members joining	2,559	–	–	**2,559**
New beneficiaries	–	–	16	**16**
Members retiring	(3)	(29)	4	**(28)**
Members leaving prior to pensionable age	(2,930)	2,930	–	**–**
Members leaving with refunds	(5)	–	–	**(5)**
Deaths	(12)	(20)	(8)	**(40)**
Cessation of dependent pensions	–	–	(2)	**(2)**
Individual transfers out	(43)	(726)	–	**(769)**
Trivial commutations	–	(1)	(1)	**(2)**
Group transfers out	–	(1,629)	–	**(1,629)**
At 31 December 2022	10,020	18,680	465	**29,165**
Total membership	10,020	24,249	11,258	**45,527**

Membership and benefits (continued)

* The adjustments have occurred where the change in member status has been updated after the previous year end statistics have been run.

** The new pensioners figure of 125 in the defined benefit section includes 19 defined contribution members who opted for an internal annuity as defined in note 16 of the financial statements. The remaining new pensioners are widow and child beneficiaries.

New starters in the DC Section who are auto enrolled and subsequently opt out of the Scheme are shown as new members and members leaving prior to retirement age.

For members who have accrued benefits in both the DC and DB sections, their membership record is shown in the table on the previous page in the section in which they last accrued service, to avoid the double counting of members in these statistics.

The Scheme was closed to all active DB members with accrual ceasing 31 March 2022, so the 866 active members became deferred members in the Scheme and there are no active defined benefit members as at 1 April 2022 (2021: 906).

There are 42 (2021: 71) formerly defined benefit members who no longer accrue service but are covered for life assurance only.

There are 25 (2021: 28) members who are covered for life assurance only and are included in the 9,796 GSK Pension Plan members as at 31 December 2022.

There are 1,663 spouses and 74 dependants included in the 10,792 pensioners as at 31 December 2022 (2021: 1,673 spouses and 78 dependants).

There are 1,529 (2021: 1,595) DB pensioner members in the Prudential policy. The Prudential policy covers a population of DB pensioner members identified by the Trustee that were involved in a buy-in whereby the ongoing liability of the pensions in payment are secured via an insurance company, Prudential, in this case. The Trustee remains responsible for paying the pensions to the members, but they are reimbursed by Prudential.

In May 2022, assets were sold out of the GSK Pension Plan as part of a bulk transfer following the separation of the GlaxoSmithKline Consumer Healthcare (UK) from the sponsoring employer. This represented 1,629 members.

Pension increases

The increase to deferred pensions and pensions in payment applied in January 2022 was 4.9% (2021: 1.1%) The increase was measured by the increase in RPI from September 2020 to September 2021 and was applied to all deferred pensions, pensions and allowances in payment and to any contingent spouse’s pensions relating to them.

Members who retired from active service during 2021, and members who became deferred during 2021 and then retired during 2021, received a proportionate increase in January 2022. No discretionary increases were awarded in the year.

Transfers

All transfer values paid are calculated using methods and assumptions approved by the Actuary and in accordance with the rules of the Scheme. These represent the full cash equivalent of members' leaving service rights. Cash equivalents paid during the Scheme year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include any discretionary benefits.

Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102), the Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to members on request.

The most recent triennial actuarial valuation was carried out as at 31 December 2020.

Valuation date	31 December 2020	31 December 2017
	£m	£m
Value of technical provisions	**6,719**	5,958
Value of assets available to meet technical provisions	**6,115**	5,897
(Deficit)	**(604)**	(61)
Assets as a percentage of technical provisions	**91%**	99%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided below.

Valuation date	31 December 2020	31 December 2017
	£m	£m
Value of solvency liabilities	**8,081**	7,722
Value of assets available to meet solvency liabilities	**6,115**	5,861
(Deficit)	**(1,966)**	(1,861)
Assets as a percentage of solvency liabilities	**76%**	76%

Note: Assets available to meet solvency liabilities allow for the termination value of the Prudential insurance policy. Therefore, this is lower than the value of assets available to meet technical provisions.

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment return, pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows.

Actuarial liabilities (continued)

Method

The actuarial method to be used in the calculation of the actuarial liabilities is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: 1.27% p.a. above the fixed interest gilt yield curve under the initial investment strategy and 0.33% p.a. above the fixed interest gilt yield curve under the ultimate investment strategy. It is assumed that the investment strategy will be gradually derisked over a stepped five year (2017 valuation: seven year) transition period starting from 1 January 2029 (2017 valuation: 1 January 2027). The assumed investment return (margin above forward gilt yields) during each year of the transition period is calculated by linearly interpolating between the assumed return on the initial investment strategy and the assumed return on the ultimate investment strategy.

Future Retail Price Inflation ("RPI"): future price inflation measured relative to RPI has been set by reference to the break-even inflation curve implied by the fixed interest and index linked gilt curves.

Pension increases: Reflect the assumed level of price inflation plus 0.03% p.a. and the relevant caps and floors according to the provisions in the Rules.

Pay increases: Members with Pensionable Salary of £30,000 or more is assumed to increase at a maximum of 2% p.a.

Mortality: Base table for members 102% (males) or 88% (females) of the S3 light/heavy mortality (males/females) pensioner tables with an allowance for improvements in mortality in line with CMI 2019 improvement factors, with long term improvement trends of 1.75% p.a. and an initial addition to of 0.5% p.a. and a smoothing parameter of 7.0.

Future improvements from 31 December 2020: Based on the CMI 2020 improvement factors, with long-term improvement trends of 1.75% p.a. and an initial addition of 0.5% and a smoothing parameter of 7.0 and with no weighting placed on 2020 experience.

Recovery plan

A recovery plan was agreed between the Trustee and the Employer on 25 March 2022. Under the recovery plan, it was agreed that the Company would pay deficit repair contributions at the rate set out in the actuarial valuation certified on 25 March 2022. Based on conditions prevailing at that date, the Scheme's funding deficit was expected to be eliminated by 2027.

These arrangements were formalised in a Schedule of Contributions which the Scheme actuary certified on 25 March 2022. A copy of this certificate is included on page 24 of this Annual Report.

During the year under review deficit repair contributions of £446.8m were accelerated and paid early as agreed with the Employer.

Next full triennial valuation

The next triennial valuation is at 31 December 2023.

Actuarial liabilities (continued)

Annual update as at 31 December 2022

A full triennial actuarial valuation of the Scheme is due as at 31 December 2023 and consequently there is no requirement for the Scheme Actuary to prepare an Annual Report for the Trustee covering developments in the Technical Provisions since the previous actuarial valuation was prepared. The actuarial valuation at 31 December 2023 has not yet commenced. However, the Scheme's actuarial advisors have produced an approximate update of the funding position of the Scheme at 31 December 2022 based on the principles agreed for the previous valuation.

The conclusions of this approximate update are that there was an estimated deficit as at 31 December 2022 of approximately £393m between the accumulated assets of the Scheme and the estimated Technical Provisions. This represented a funding level of approximately 91%. After allowing for future recovery plan payments and proceeds from the SLPs, there was an estimated deficit of approximately £210m, representing a funding level of approximately 95%.

Investment management

Investment managers

The Scheme provides benefits on both a defined benefit and a defined contribution basis.

For the defined benefit section, the Scheme holds some of its assets through the GSK Common Investment Fund (the "GSK CIF") and some in its own name directly. This is done for legal and operational reasons.

The Annual Report and Financial Statements of the GSK CIF are included as Appendix 3 to this document and should be read in conjunction with this report.

Defined contribution assets are also held by the Scheme.

Investment principles

Governance Process

During the accounting year the Trustee was responsible for setting the following:

- The strategic benchmark for defined benefit investments.
- The default and member selected options for defined contribution benefits.

The defined benefit investments are managed by a Joint Investment Committee (the "JIC") which takes all operational and day to day decisions on behalf of the Trustee in accordance with its Statement of Investment Principles (SIP). At least two representatives of the Trustee will be members of the JIC and decisions regarding the Scheme cannot be taken without at least one representative of the Trustee present.

The JIC has delegated management of the Scheme's investments to professional investment managers.

The investment policies for defined contribution assets are developed by the Joint DC Committee which works in conjunction with the professional advisers.

The Governance process is being formally reviewed in 2023 and may be amended going forwards.

Statement of Investment Principles ("SIP")

As required under Section 35 of the Pensions Act 1995, the Trustee has approved a SIP. This sets out the following in respect of assets held:

- Governance arrangements.
- Objectives and implementation for the defined benefit and defined contribution section.
- The Trustee's investment policies.

All investments made during the year were in accordance with the SIP. Where new managers are appointed or changes are made to the investment strategy, the process that is followed is that the change is implemented, and the SIP is updated as soon as practicable afterwards.

The SIP is reviewed annually. The DB Section of SIP was updated during the year to reflect updated descriptions around risk management and stewardship policies; no changes were made to the DC Section of the SIP during the year.

The SIP is available on the GSK pensions website (www.gskpensions.co.uk) or from the Secretary to the Trustee, whose contact details are shown on page 23.

Investment Objectives

The main objective of the Trustee is to ensure that there are adequate assets to pay the benefits as they become due. When setting investment policies, the Trustee takes a prudent view and aims to achieve a level of risk and return that is consistent with this obligation.

For Defined Contribution, the main objective of the Trustee is to provide adequate means for members to accumulate and access a money purchase retirement benefit.

Defined Benefit - Strategic Benchmark

The Trustee determines its strategic asset allocation benchmark and its investment policies in relation to the defined benefit assets in consultation with its investment adviser and with the Employer. Those policies are based upon the following:

- The actuarial position of the Scheme.
- The appetite for risk of the Trustee and the Employer.
- The strength of the Employer's covenant.
- The view of market conditions.

Defined Benefit - Current Strategic Asset Allocation

The strategic asset allocation is the mix between return seeking assets such as equities and property and liability matching assets such as bonds, derivatives and insurance policies.

Prior to the LDI crisis, the Trustee's agreed target asset allocation was 42.5% return seeking assets and 57.5% liability matching assets. However, following portfolio actions in September and October 2022 to release capital in order to manage collateral requirements, the target asset allocation was adjusted to 36% return seeking assets and 64% liability matching assets. The make up of the growth portfolio was adjusted to ensure the long term expected return from the overall portfolio was maintained.

At 31 December 2022 the actual asset allocation was 33.8% return seeking assets and 66.2% liability matching assets.

Return seeking assets – the objective is to invest across a diversified range of equities, property and multi asset funds, with a view to providing some outperformance versus a liability matched portfolio.

Liability matching assets – the objective is to provide an income and repayment cash flow which partly matches the obligations of the Scheme to provide both fixed and inflation increases to benefits. The assets are chosen to provide interest rate and inflation matching over the duration of the liabilities, in line with agreed hedging targets.

Return Seeking Assets

The return seeking assets were held in the GSK CIF during the year and consist of the following types of assets:

Type of asset	Nature of assets
Equities	Passively managed global equities with a single manager.
Property	A combination of directly held and pooled UK property held through unitised funds.
Multi asset funds	Investments held to diversify the equity exposure.

In conjunction with the Trustee and the Employer, the JIC determines:

- The allocation between equities, property and any other return seeking assets.
- The geographical distribution of the equities and other assets.
- The split between active and passive management.
- The choice of managers and their appointment, monitoring and removal.
- The impact their investment decisions have on climate change.

Defined Benefit - Current Strategic Asset Allocation (continued)

Liability Matching Assets

Type of asset	**Nature of assets**
Index linked government Bonds	These consist of UK government index linked bonds.
Corporate bonds	These include UK and Overseas corporate bonds.
Derivatives	Inflation rate swaps – the Trustee receives an income stream based on inflation in return for a series of fixed payments.
	Zero coupon swaps – the Trustee receives a variable income stream of floating interest rate payments based on prevailing interest rates in return for a fixed rate lump sum payment at maturity.
	Bond futures - these are used to hedge US interest rate exposure back to neutral and also to manage interest rate exposure during the build phase of the corporate bond mandate.
	Forward foreign exchange contracts - these are used to hedge the US$ currency exposure within the US corporate bond mandate.
	Repurchase agreements - the Trustee sells Gilts to a third-party and simultaneously agrees to buy them back at a future date for a pre-agreed price.
Insurance policy	This pays a monthly income that matches the amount of pension that the Scheme pays to certain named individuals on a monthly basis. This was in return for an initial premium paid at the start of the policy.

In conjunction with the Trustee, and the Employer the JIC determines:

- The amount of inflation and interest rate hedging.
- How this is to be achieved by a combination of bonds, derivatives, insurance policies and other instruments or assets.
- The choice of counterparties for derivatives, where relevant, and the setting and monitoring of risk limits for managers and counterparties.
- The choice of managers and other providers.

The JIC receives detailed reports on operational matters and provides the stewardship function in respect of all assets that are held for defined benefit liabilities including assets owned by the GSK CIF and assets owned directly by the Scheme.

Investment performance

The overall investment performance for the Scheme for the year was a decrease of 36.5% (2021: increase of 4.3%).

The performance of the Scheme's investments for the year analysed across the various asset classes is set out below.

Defined Benefit Assets

	Assets held in	Year ended 31 December 2022			3 years (annualised)	5 years (annualised)
		Actual	Benchmark	Variance	Actual	Actual
Return seeking		%	%	%	%	%
Equities and equity options	GSK CIF/Scheme	(8.4)	(5.5)	(2.9)	2.5	4.6
Property	GSK CIF	(9.0)	17.4	(26.4)	3.8	4.0
Multi asset funds	GSK CIF	(4.3)	1.1	(5.4)	(0.9)	(0.2)
Liability matching						
Index linked bonds, corporate bonds and derivatives	Scheme	(70.5)	N/A	N/A	(28.6)	(18.4)
Annuity policy	Scheme	(21.9)	N/A	N/A	(5.7)	(2.6)

Further details of the GSK CIF performance can be found in the Investment section of the Trustee's Report of that entity which is included as an appendix to this report.

The index linked bonds, the derivatives and the annuity policy are held in order to match the movements in the underlying liabilities. Broadly, where a loss is shown on these asset classes, there will be a decrease in the underlying liabilities as calculated on an actuarial basis. Similarly, where a gain is shown, there will be an increase in the actuarial liabilities. This is because the value of these investments is driven by the same factors that cause the liabilities to change; interest rates, inflation and longevity assumptions (for the annuity policy). The Trustee measures its performance against the corresponding movements in liabilities rather than their absolute return and therefore the performance is not compared against a benchmark.

Investment performance (continued)

Defined Contribution Assets

The assets are held as follows:

Manager	
Legal & General Assurance (Pensions Management) Limited	**Pooled funds held in life assurance policies – unitised:** Current option available since March 2004.
Zurich Life Assurance Company Limited	**With - profits assurance policies:** This was an investment option for GSKPP members for a short period after they had transferred from the SmithKline Beecham Pension Plan in July 2009.

The performance figures for the Legal & General policies are shown below. For the performance of funds invested with other defined contribution providers members should contact the Scheme administrator at the address on page 23.

Legal & General Assurance (Pensions Management) Limited	1 year %	3 years (annualised) %	5 years (annualised) %
GSK UK Equity Index Fund	0.8	2.5	3.2
GSK Lifecycle Fund	(8.6)	4.9	5.3
GSK Overseas Equity Index Fund	(13.3)	6.3	7.0
GSK Cash Fund	1.3	0.5	0.6
GSK Global Equity Index Fund	(12.6)	6.1	6.3
GSK Inflation Linked Pre-Retirement Fund	(34.3)	9.9	(4.5)
GSK Diversified Growth Fund	(0.9)	2.7	2.9
GSK Shariah Fund*	(15.8)	9.7	N/A
GSK Retirement Income Multi Asset Fund*	(7.5)	1.1	N/A
GSK Global Sustainable Equity Fund**	(13.4)	N/A	N/A

* The five year performance data is not available as the funds were introduced in 2018.

** The performance data is not available for 3 and 5 years as The Global Sustainable Equity Fund was introduced in 2021.

Insurance Policy

The bulk insurance policy is with The Prudential Assurance Company Limited ("PAC") and is held in the name of the Scheme. The key features of the policy are as follows:

<u>Structure</u>

The benefit of the policy belongs to the Scheme as a whole and does not change the position of individual members who will see no change in how their pensions are provided.

<u>Valuation</u>

The policy is valued periodically by the insurer and reviewed by the Trustee and its advisers to validate that valuation. Additional valuations can be carried out at the request of the Trustee, for example in times of financial distress.

Insurance Policy (continued)

Security

There is a collateral structure in place whereby the Scheme has legal ownership of a pool of assets which it can access should PAC default on the contract or breach it in another way. The levels of collateral have been agreed with PAC and they are obliged to maintain the collateral level where necessary.

The assets in the collateral pool are managed in accordance with a pre-agreed investment policy which ensures that the credit quality, liquidity and marketability of the portfolio are kept at appropriate levels.

In the event of PAC defaulting on the contract the collateral pool passes back to the Trustee.

Management and custody

M&G is the fund manager of the collateral pool and Bank of New York Mellon is the custodian.

Monitoring

Regular monitoring of the policy takes place, both internally at Trustee level and with PAC via a Joint Management Committee.

Investment Operational Policies

Management of the Scheme's Assets

The Trustee has delegated management of investments to professional investment managers which are listed on page 2. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

Custody of the Scheme's Assets

The Bank of New York Mellon is the global custodian for all segregated holdings. The legal title to investments is held in the name of Mellon Nominees (UK) Limited on behalf of the Trustee.

The Trustee monitors the performance of the custodian in the following operational areas:

- Late settlements and outstanding trades.
- Late income and outstanding income balances.
- Tax reclaims.
- Voting activity.
- Foreign exchange rates used.
- Interest rates on cash balances.

Manager authorisation

All investment managers appointed by, or on behalf of the Trustee to manage the funds under section 34(3) of the Pensions Act 1995 are appropriately authorised or exempt under the Financial Services and Markets Act 2000 and any other fund managers have the appropriate knowledge and experience to manage the particular investments delegated to them.

Manager Remuneration

Manager remuneration is made up of fees based on the value under management. Fee levels are regularly reviewed.

Derivatives - Collateral and Concentration

The Trustee has policies setting out the amount of concentration that it can have with any one counterparty which is determined by the credit quality of that institution. There are also limits on the types and value of collateral that are given or received for derivatives.

Corporate Governance, including ESG and Climate Risk

Whilst the Trustee does not wish to interfere with the day to day investment decisions of its asset managers, where managers have voting rights and can be impactful the Trustee evaluates their approach and voting policies on an annual basis and the Trustee expects its asset managers to comply with the principles outlined in the UN Principles for Responsible Investing and the UK Stewardship Code. The Trustee's Investment Adviser has regular dialogue on this topic with asset managers and reports on this to the JIC no less than annually.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, requires its asset managers to have an explicit strategy, outlining the circumstances in which they will engage with a company on (or issuer of debt, or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interests, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

On behalf of the Trustee, the JIC reviews regularly the voting strategy of its asset managers. In the event the voting and engagement strategy is deemed insufficient, the JIC will either request further engagement and updates from the Investment Adviser or engage directly with the asset manager. If this is not successful, the JIC could ultimately opt to remove the asset manager.

The Trustee welcomes the views of the members and beneficiaries, including (but not limited to) their views in relation to Sustainable Investment by contacting the Secretary (Contacts - GSK Pension (gskpensions.co.uk), which are periodically fed back to the Trustee.

The Trustee does not currently take any non-financial factors into account when setting the investment strategy.

The Trustee believes that by being a sustainable investor, they are managing investment risk with the aim of enhancing long term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme.

Engagement with fund managers and alignment with Trustee policies

The Trustee believes that an understanding of, and engagement with, asset managers' arrangements is required to ensure they are aligned with the Trustee's policies, including its Sustainable Investment policy.

The Trustee, through delegation to the JIC, considers their Investment Adviser's assessment on the alignment of the asset manager with the Trustee policies, including those related to ESG and Stewardship. The Trustee will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of asset managers.

Asset managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Whilst the Trustee notes that their ability to influence decision making within pooled fund structures is limited, the underlying asset managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. Asset managers are appointed on an ongoing basis which helps to incentivise them to focus on medium to long term performance.

Engagement with fund managers and alignment with Trustee policies (continued)

The Investment Adviser or JIC meets the asset managers from time to time to discuss their investment performance, strategy, their performance as Sustainable Investors and to discuss any issues of concern. They provide regular updates to assist the Trustee in fulfilling their responsibility for monitoring and reporting on the asset managers' performance. Where needed the Trustee will challenge managers on their policies and instances where managers may not be aligned with best practices within the industry. This action is taken to try to ensure continuing improvement over the medium to long term in the performance of assets from both a financial and non-financial perspective.

The JIC and Trustee receives performance reports from their Investment Advisers on a quarterly basis, which present performance information for the funds over three months, one year, and since inception. The Trustee reviews the absolute performance and relative performance against a suitable index or target, used as the benchmark, on a net of fees basis. Whilst the Trustee's focus is on long-term performance, it also takes shorter-term performance into account.

If an underlying manager is not meeting performance objectives, or their investment objectives have changed, the Trustee may review the suitability of the manager, and change managers where required.

The Trustee does not currently define target portfolio turnover ranges for asset managers, particularly as the Trustee primarily use pooled funds. However, the Trustee will engage with an asset manager if portfolio turnover is higher than expected. The Trustee considers portfolio turnover costs indirectly through consideration of overall costs incurred throughout the year (including all manager fees and expenses), provided within data the Trustee receives annually under the MIFID II framework.

All the investment vehicles are open-ended, with no set end date for the arrangements. An asset manager’s appointment may be terminated due to a change in the overall investment strategy or changes in expectations of their ability to deliver against the agreed mandate or in line with the investment policies of the Trustee.

Review of the Marketability and Liquidity of the Investments

The Trustee believes that investments held in UK government securities, corporate bonds, and other unitised vehicles were readily realisable as at the year end. The Trustee regularly reviews and considers the Scheme’s liquidity and is satisfied that the Scheme has sufficient liquidity for the foreseeable future.

The investment in the GSK CIF is liquid, however underlying investments in the GSK CIF include holdings in direct property which are unlikely to be liquid and readily marketable. Further details can be in the Investment section of the Trustee’s Report of that entity which is included as an appendix to this report.

Review of the Diversification of the Investments

The Scheme’s assets are held in a wide range of investments. The allocation of the total assets between asset classes and geographical locations is regularly reviewed by the JIC and revised as necessary. The JIC also regularly reviews the diversification between managers. In addition, the Scheme is the legal owner of a bulk annuity policy and derivatives hedging portfolio which further diversifies risk of the total assets.

Review of Investment Operational Risk

The Trustee has a series of controls over the activities of the investment managers and the custodian which it has delegated to the JIC. The key controls are as follows:

- Monthly reviews of custodian versus investment manager reconciliations.
- Reviews of internal controls reports.
- Quarterly reviews of performance against benchmarks and agreed targets.
- Periodic service meetings.
- Due diligence on new manager appointments.

There are also regular reviews by the investment adviser, Cardano.

Employer-related investments

Employer related investments are disclosed in note 30 of the Financial Statements

Global economies and geopolitical developments

Global economies and geopolitical developments can always pose a risk to investments. With regards to tensions related to China / Taiwan, the vast majority of global businesses, and particularly manufacturers, are reliant on China for at least some portion of their supply chains and wider operations. This means that even if efforts were taken to reduce or sell all Chinese equity holdings, China would still have significant influence in the portfolio through its links with companies that run out of other markets and therefore forms part of the inherent risk of investing for longer term growth, which is managed by investing across a diverse selection of asset types and regions.

Chair's Statement on DC Governance Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by The Occupational Pension Schemes (Charges and Governance) Regulations 2015, (together "the Administration Regulations") require the Trustee to include an annual statement regarding DC governance in the Annual Report. This statement is shown as an Appendix to the Annual Report and Financial Statements and forms part of this report.

SIP Implementation Statement

The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 require the Trustee to include an Implementation Statement describing how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 December 2022. This statement is shown as an Appendix to the Annual Report and Financial Statements and forms part of this report.

Trustee’s TCFD Statement

The following documents are available on the GSK Pension Scheme website (https://www.gskpensions.co.uk/governance/gsk_pension_scheme/index.html)

- TCFD report
- Statement of Investment Principles (SIP) – included in the SIP implementation report
- Chairs Governance Statement

Contact for further information

The Trust Deed and Rules can be inspected on application to the Secretary to the Trustee at GSK House, 980 Great West Road, Brentford, Middlesex TW8 9GS. Members receive a benefit statement annually.

Any enquiry concerning the Scheme should be addressed to UK Benefits at the above address.

Enquiries about an individual member's entitlement should be addressed to the administrator whose contact details are:

WTW, PO Box 545, Redhill, RH1 1YX
Email: gskpensions@willistowerswatson.com
Phone: 01737 227563

The Trustee's Report is approved and signed by the Trustee:

Mark Ashworth		**Trustee Director**
Name	**Signature**	**Title**

31/5/2023

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of Schedule of Contributions

Name of Scheme: GSK Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2020 to be met by the end of the period specified in the recovery plan dated 25 March 2022.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 25 March 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signed Tim Panter

Tim Panter
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW Company
25 March 2022

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

GSK PENSION SCHEME

SUMMARY OF CONTRIBUTIONS

YEAR ENDED 31 DECEMBER 2022

Trustee's summary of contributions

This summary of contributions has been prepared on behalf of the Trustee and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme by the Employers under the Schedules of Contribution certified by the Scheme Actuary on 1 November 2018 and 25 March 2022 in respect of the Scheme year ended 31 December 2022. The Scheme Auditor reports on contributions payable under the schedules in their auditors' statement about contributions.

During the year ended 31 December 2022, the contributions payable to the Scheme were as follows:

	Defined benefit section	Defined contribution section	**Total**
	£m	£m	**£m**
Contributions required by the Schedules of Contributions			
Employers			
Normal contributions*	6.3	85.2	**91.5**
Augmentation contributions	11.0	15.7	**26.7**
Employers administrative expense and PPF levies	5.2	–	**5.2**
Normal salary sacrifice contributions**	–	25.4	**25.4**
Employees			
Normal contributions**	–	0.2	**0.2**
Other contributions in addition to those payable under Schedules of Contributions			
Employers			
Augmentation contributions	0.2	–	**0.2**
Deficit funding contributions received in advance	446.8	–	**446.8**
Partnership salary sacrifice contributions	0.3	0.4	**0.7**
Bonus sacrifice contributions	–	17.9	**17.9**
AVC salary sacrifice contributions	–	15.2	**15.2**
Employees			
Additional voluntary contributions	–	0.1	**0.1**
Total contributions per note 5 of the Financial Statements	**469.8**	**160.1**	**629.9**

* Employer normal comprises Core, Matching, Partnership, Risk and Shift contributions.
** Employer salary sacrifice and Employee normal comprises Partnership and Shift contributions.

Employer augmentations in Other Contributions are the augmentations claimed from the company funded scheme, known as top up augmentations.

Approved by the Trustee and signed on their behalf by:

Mark Ashworth **Name**	**Signature**	**Trustee Director** **Title**
David Brown **Name**	**Signature**	**Trustee Director** **Title**

31/5/2023

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE GSK PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

We have examined the summary of contributions to the GSK Pension Scheme (the 'Scheme') for the Scheme year ended 31 December 2022 which is set out on pages 25 to 26.

In our opinion, contributions for the Scheme year ended 31 December 2022 as reported in the summary of contributions and payable under the Schedules of contributions have in all material respects been paid at least in accordance with the Schedules of contributions certified by the Scheme actuary on 1 November 2018 and 25 March 2022.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the statement of Trustee's responsibilities on page 8, the Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 31/5/2023

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF GSK PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of the GSK Pension Scheme (the 'Scheme') for the year ended 31 December 2022, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Scheme including effects arising from macro-economic uncertainties such as the effects of economic policies announced by the UK government in September 2022 and the cost-of-living crisis, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of Trustee for the financial statements' section of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee for the financial statements

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant are the Pensions Act 1995 and 2004 and those that relate to the reporting frameworks Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP").

  In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Scheme operates.

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee Board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

- We assessed the susceptibility of the Scheme's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined the principal risks were in relation to:

  - the risk of management override of controls through posting inappropriate journals entries to manipulate results and net assets for the year.
  - completeness and accuracy of contributions,
  - the valuation of hard to value assets using a method not permitted under the SORP.

Our audit procedures involved:

- understanding of controls that the Trustee has in place to prevent and detect fraud,
- journal entry testing, with a focus on large manual journals to unusual account combinations,
- Testing of material contribution balances against the requirements of the Schedule of Contributions by reference to both the timing and amounts received,
- obtaining independent confirmations of material investment valuations and cash balances at the year end, and,
- including internal valuation specialists within the audit team to challenge the valuations of bulk annuity and derivative contracts.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of Schemes of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and understanding of the sector the underlying applicable legislation and related guidance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 31/5/2023

FUND ACCOUNT

YEAR ENDED 31 DECEMBER 2022

	Note	Defined benefit section 2022 £m	Defined contribution section 2022 £m	Total 2022 £m	Total 2021 £m
Contributions and benefits					
Employer contributions		**469.8**	**159.8**	**629.6**	207.4
Employee contributions		**–**	**0.3**	**0.3**	0.5
Total contributions	**5**	**469.8**	**160.1**	**629.9**	207.9
Transfers in	**6**	**–**	**3.3**	**3.3**	4.3
Other income	**7**	**–**	**–**	**–**	0.1
		469.8	**163.4**	**633.2**	212.3
Benefits paid or payable	**8**	**(181.3)**	**(13.8)**	**(195.1)**	(180.3)
Payments to and on account of leavers	**9**	**(130.4)**	**(259.8)**	**(390.2)**	(261.3)
Administrative expenses	**10**	**(5.6)**	**–**	**(5.6)**	(5.7)
		(317.3)	**(273.6)**	**(590.9)**	(447.3)
Net additions/(withdrawals) from dealings with members		**152.5**	**(110.2)**	**42.3**	(235.0)
Returns on investments					
Investment income	**11**	**27.0**	**–**	**27.0**	34.0
Change in market value of investments	**12**	**(2,304.0)**	**(264.9)**	**(2,568.9)**	674.7
Investment management expenses	**14**	**(4.3)**	**–**	**(4.3)**	(2.6)
Net return on investments		**(2,281.3)**	**(264.9)**	**(2,546.2)**	706.1
Net (decrease)/increase in the fund during the year		**(2,128.8)**	**(375.1)**	**(2,503.9)**	471.1
Transfers between sections	**16**	**18.5**	**(18.5)**	**–**	–
Net assets of the Scheme					
At 1 January		**6,196.8**	**2,769.1**	**8,965.9**	8,494.8
At 31 December		**4,086.5**	**2,375.5**	**6,462.0**	8,965.9

The notes on pages 35 to 73 form part of these financial statements.

GSK PENSION SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 31 DECEMBER 2022

	Note	Defined benefit section 2022 £m	Defined contribution section 2022 £m	**Total 2022 £m**	Total 2021 £m
Investment assets	**12**				
Investment in GSK CIF		**1,378.5**	**–**	**1,378.5**	2,759.9
Bonds		**2,779.4**	**–**	**2,779.4**	3,035.3
Pooled investment vehicles	**18**	**–**	**2,368.2**	**2,368.2**	2,757.6
Derivatives	**19**	**203.6**	**–**	**203.6**	187.9
Insurance policies	**21**	**375.4**	**–**	**375.4**	537.2
AVC investments	**22**	**–**	**0.1**	**0.1**	0.1
Cash	**23**	**948.1**	**–**	**948.1**	4.4
Other investment balances	**24**	**5.5**	**–**	**5.5**	8.5
Reverse repurchase agreements	**25**	**39.9**	**–**	**39.9**	–
		5,730.4	**2,368.3**	**8,098.7**	9,290.9
Investment liabilities	**12**				
Derivatives	**19**	**(336.5)**	**–**	**(336.5)**	(65.2)
Other investment balances	**24**	**(16.9)**	**–**	**(16.9)**	–
Repurchase agreements	**25**	**(1,291.2)**	**–**	**(1,291.2)**	(280.7)
		(1,644.6)	**–**	**(1,644.6)**	(345.9)
Total investments		**4,085.8**	**2,368.3**	**6,454.1**	8,945.0
Current assets	**31**	**9.7**	**9.4**	**19.1**	30.7
Current liabilities	**32**	**(9.0)**	**(2.2)**	**(11.2)**	(9.8)
Net assets of the Scheme at 31 December		**4,086.5**	**2,375.5**	**6,462.0**	8,965.9

The notes on pages 35 to 73 form part of these financial statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the DB section of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 11 to 13 of the Annual Report, and these Financial Statements should be read in conjunction with that report.

The financial statements on pages 32 to 73 were approved by the Trustee and signed on their behalf by:

Mark Ashworth		**Trustee Director**
Name	**Signature**	**Title**
David Brown		**Trustee Director**
Name	**Signature**	**Title**

31/5/2023

The notes on pages 35 to 73 form part of these financial statements.

1. General information

The GSK Pension Scheme (the “Scheme”) is an occupational pension scheme established under trust in the United Kingdom, under English Law.

The Scheme was established to provide retirement benefits to certain groups of employees within the GSK plc group. The address of the Scheme’s principal office is GSK House, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

The Scheme has a Defined Benefit section ("DB") which is no longer open to new members, but active members continued to accrue benefits until 31 March 2022. It also has two defined contribution sections ("DC"), one of which is closed to new members but open to future contributions, and the other is open to new members, and future contributions, and is used as an auto enrolment scheme by the participating employers.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of preparation

The individual financial statements of GSK Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised June 2018) (“the SORP”)

The financial statements have been prepared on a going concern basis as the Trustee continues to believe this to be an appropriate basis in view of the actuarial valuation results as at 31 December 2020 and the annual update as at 31 December 2022.

3. Comparative fund account and statement of net assets available for benefits

Fund account

	Note	Defined benefit section 2021 £m	Defined contribution section 2021 £m	Total 2021 £m
Contributions and benefits				
Employer contributions		54.9	152.5	207.4
Employee contributions		–	0.5	0.5
Total contributions	**5**	54.9	153.0	207.9
Transfers in	**6**	–	4.3	4.3
Other income	**7**	–	0.1	0.1
		54.9	157.4	212.3
Benefits paid or payable	**8**	(168.7)	(11.6)	(180.3)
Payments to and on account of leavers	**9**	(128.3)	(133.0)	(261.3)
Administrative expenses	**10**	(5.7)	–	(5.7)
		(302.7)	(144.6)	(447.3)
Net additions/(withdrawals) from dealings with members		(247.8)	12.8	(235.0)
Returns on investments				
Investment income	**11**	34.0	–	34.0
Change in market value of investments	**12**	281.2	393.5	674.7
Investment management expenses	**14**	(2.6)	–	(2.6)
Net return on investments		312.6	393.5	706.1
Net increase in the fund during the year		64.8	406.3	471.1
Transfers between sections	**16**	17.0	(17.0)	**–**
Net assets of the Scheme				
At 1 January		6,115.0	2,379.8	8,494.8
At 31 December		6,196.8	2,769.1	8,965.9

3. Comparative fund account and statement of net assets available for benefits *(continued)*

Statement of net assets available for benefits

	Note	Defined benefit section 2021 £m	Defined contribution section 2021 £m	Total 2021 £m
Investment assets	**12**			
Investment in GSK CIF		2,759.9	–	2,759.9
Bonds		3,035.3	–	3,035.3
Pooled investment vehicles	**18**	–	2,757.6	2,757.6
Derivatives	**19**	187.9	–	187.9
Insurance policies	**21**	537.2	–	537.2
AVC investments	**22**	–	0.1	0.1
Cash	**23**	4.4	–	4.4
Other investment balances	**24**	8.5	–	8.5
Reverse repurchase agreements	**25**	–	–	–
		6,533.2	2,757.7	9,290.9
Investment liabilities	**12**			
Derivatives	**19**	(65.2)	–	(65.2)
Other investment balances	**24**	–	–	–
Repurchase agreements	**25**	(280.7)	–	(280.7)
		(345.9)	–	(345.9)
Total investments		6,187.3	2,757.7	8,945.0
Current assets	**31**	17.9	12.8	30.7
Current liabilities	**32**	(8.4)	(1.4)	(9.8)
Net assets of the Scheme at 31 December		6,196.8	2,769.1	8,965.9

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Currency

The Scheme's functional currency and presentational currency is pounds sterling.

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

4. Summary of significant accounting policies *(continued)*

Contributions

Employer and employee's normal contributions, including core, matching, partnership, bonus, shift and risk are accounted for on an accruals basis and in the payroll period to which they relate, at rates agreed between the Trustee and the employer based on recommendations of the Actuary.

Members' Additional Voluntary Contributions ("AVCs") are accounted for on an accruals basis.

All contributions payable under salary sacrifice arrangements are classified as employer contributions.

Deficit repair contributions are accounted for in accordance with the agreement under which they are due or, in the absence of such an agreement, when they are received.

Augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, on an accruals basis based on date of leaving.

Contributions to cover administrative expenses and PPF levies are accounted for on an accruals basis.

Contributions are shown net of refunds to members who have opted out after being auto enrolled.

Other income

Other income is accounted for on an accruals basis.

Transfers to and from other schemes

Individual transfers in are accounted for when the liability transfers, which is normally when cash is received, unless there is a separate agreement in place to take the liability in advance. Transfers out are accounted for when the receiving scheme accepts the liability and the amount can be determined with reasonable certainty.

Group transfers out are accounted for in accordance with the terms of the transfer agreement.

Benefits paid or payable

Pensions in payment are accounted for in the period to which they relate. Where members can choose whether to take a full pension or a reduced pension with a lump sum, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme, as appropriate.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where Lifetime or Annual Allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and is shown within benefits payable.

4. Summary of significant accounting policies *(continued)*

Administrative and investment management expenses

Administrative and investment management expenses are accounted for on an accruals basis.

Investment income

Income from bonds including income accrued on purchases and sales is accounted for on an accrual basis.

Interest payable on repurchase agreements is accounted for in the period it falls due.

All other investment income, including interest on cash deposits, is accounted for on an accruals basis.

In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, the income is included within change in market value.

Investments

During the accounting year the return seeking investments were held by the GSK CIF and pooled with those of the other GSK UK Schemes.

The investment in the GSK CIF is valued at the fair value as notified by the GSK CIF Trustee.

The Financial Statements of the GSK CIF, which are attached as an appendix to the annual report, show the accounting policies applied to the assets and liabilities it holds.

All investments are held at fair value, and the change in market value is the realised and unrealised gains and losses on the investments.

Bonds - fixed income and index linked securities – government and other

Quoted securities are valued at their bid market values at the official close on the principal stock exchange on which they are traded. Accrued interest is excluded from the market value of fixed income and index linked securities but is included in investment income receivable.

Pooled investment vehicles

Where separate bid and offer prices are available, pooled investment vehicles are stated at the bid price provided by the manager, otherwise the closing single price is used.

Investments in more complex pooled investment vehicles which are updated or not actively traded on a quoted market are valued using the latest available Net Asset Value (NAV) determined in accordance with fair value principles provided by the pooled investment manager.

Change in Market Value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sales of investments during the year.

4. Summary of significant accounting policies ***(continued)***

Gilt repurchase agreements

Under repurchase arrangements the Scheme continues to recognise and value securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase arrangements the Plan does not recognise the securities received as collateral in the Financial Statements. The cash delivered to counterparty is recognised as an asset.

Interest payable on loans entered into as part of the repurchase agreement programme and interest receivable on cash received as part of the reverse repurchase agreement programme are accounted for on an accruals basis.

Defined contribution and AVC assets

The Scheme holds assurance policies with various providers in respect of defined contribution assets. These investments are valued at the dealing price quoted by the investment manager at the year end.

Swap contracts

The swap contracts are Over The Counter ("OTC") contracts and are fair valued using discounted cash flow pricing models based on the current value of future expected net cash flows arising over the swap, taking into account the time value of money, or the market price of comparable instruments at the year end date if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts as the economic rationale is to hedge the economic risk of the Scheme liabilities.

Equity option contracts

Equity option contracts are OTC contracts and are fair valued using pricing models which take into account such factors as the difference between the value of the underlying instrument and the strike price, how long the option has to expiry, and the volatility of the market to which the option relates. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts.

Bond futures contracts

Bond futures contracts are included in the net asset statement at their fair market, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open contracts.

Foreign forward currency contracts

Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

4. Summary of significant accounting policies *(continued)*

Collateral

Amounts posted as collateral against derivative contracts continue to be recognised as an asset in the Financial Statements. Assets received as collateral against derivative contracts are not recognised as assets in the Financial Statements.

Insurance policies – defined benefit

The Scheme holds an insurance policy in the form of a buy-in arrangement with The Prudential Assurance Company Limited ("PAC"). The fair value of the insurance policy is the present value of the related obligation to scheme insured member benefits. The present value will depend on a number of key estimates, such as the discount rate, pension increases awarded and life expectancy. For details of the key assumptions adopted, please see notes 21 and 27 on pages 55 and 59 to 61.

The bulk annuity policy is valued using the termination amount payable, should the Trustee terminate due to a PAC fault. The termination amount is provided by PAC and calculated using PAC's Solvency II Best Estimate Liability for the policy. The Solvency II Best Estimate Liability is calculated by taking the expected future benefits payable to the Trustee under the policy, discounted back to the year end, and uplifted by 18.04%. The termination amount has been agreed with the scheme actuary as an appropriate proxy for estimated fair value of the present value of future liabilities on a Technical Provisions basis at the reporting date.

The normal contractual monthly payments received on the policy are treated as disinvestments from the policy and are shown within disposal proceeds. This represents the substance of the transaction as in effect the payments received are part disposals of the policy.

Where any amounts are received that do not represent a part disposal of the policy, these are shown within investment income in the fund account.

Any difference between the opening value of the policy and the closing value (less the proceeds referred to above) is shown as change in market value of the investment.

Collateral held to provide security over the annuity policy is not included or valued in these Financial Statements.

Annuity policies – defined contribution

Annuity policies are purchased on retirement by defined contribution members or defined benefit members who have AVC investments. These are not included as assets of the Scheme as they are in the name of member and are therefore expensed in the fund account in the year in which they are purchased.

Key accounting estimates and judgements

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Insurance Policy with PAC. Explanation of the key assumptions underpinning the valuation of investments are included above and within notes 21 and 27.

5. Contributions

	2022 Defined benefit section £m	2022 Defined contribution section £m	Total £m
Employer contributions			
Normal	**6.3**	**85.2**	**91.5**
Augmentation	**11.2**	**15.7**	**26.9**
Employers administrative expense and PPF levies	**5.2**	**–**	**5.2**
Salary sacrifice	**0.3**	**25.8**	**26.1**
Bonus sacrifice	**–**	**17.9**	**17.9**
Employers deficit repair contributions	**446.8**	**–**	**446.8**
Employers AVC sacrifice contributions	**–**	**15.2**	**15.2**
	469.8	**159.8**	**629.6**
Employee contributions			
Normal	**–**	**0.2**	**0.2**
Additional voluntary contributions	**–**	**0.1**	**0.1**
	–	**0.3**	**0.3**
	469.8	**160.1**	**629.9**

	2021 Defined benefit section £m	2021 Defined contribution section £m	Total £m
Employer contributions			
Normal	28.9	74.7	103.6
Augmentation	21.0	19.1	40.1
Employers administrative expense and PPF levies	3.4	–	3.4
Salary sacrifice	1.6	26.3	27.9
Bonus sacrifice	–	16.7	16.7
Employers deficit repair contributions	–	–	–
Employers AVC sacrifice contributions	–	15.7	15.7
	54.9	152.5	207.4
Employee contributions			
Normal	–	0.4	0.4
Additional voluntary contributions	–	0.1	0.1
	–	0.5	0.5
	54.9	153.0	207.9

5. Contributions *(continued)*

Risk contributions are paid in respect of members with defined contribution benefits and for defined benefit life assurance only members. The contributions are intended to be used to fund benefits due in the event of the death of a member.

A new Schedule of Contributions was signed on 25 March 2022. In line with the requirements of this Schedule, which includes reference to any earlier proceeds received under the SLP agreement noted on page 7 of the Trustee's report, deficit repair contributions of £425.8m, plus Other Employer contributions will be paid on or before the later of 31 March 2025 or two years after completion of the separation transaction, and £100.7m will be paid annually on or before 20 January for the period 2026 to 2027. This Schedule supersedes the requirements of the previous Schedule of Contributions from the date it was signed.

Deficit repair contributions of £446.8m were received during the year, earlier than was due under the Schedule of Contributions resulting in reduced amounts due in the future.

Employer normal comprises Core, Matching, Partnership, Risk and Shift contributions.

Employer salary sacrifice and Employee normal comprises Partnership and Shift contributions.

6. Transfers in

	2022		
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Individual transfers in	**–**	**3.3**	**3.3**

	2021		
	Defined benefit section £m	Defined contribution section £m	Total £m
Individual transfers in	–	4.3	4.3

7. Other income

	2022		
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Other income	**–**	**–**	**–**

	2021		
	Defined benefit section £m	Defined contribution section £m	Total £m
Other income	–	0.1	0.1

8. Benefits paid or payable

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Pensions	**153.7**	**–**	**153.7**
Lump sums on retirement	**25.3**	**7.6**	**32.9**
Purchase of annuities	**–**	**3.0**	**3.0**
Death benefits	**1.6**	**2.3**	**3.9**
Taxation where lifetime or annual allowance exceeded	**0.7**	**0.9**	**1.6**
	181.3	**13.8**	**195.1**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Pensions	145.6	–	145.6
Lump sums on retirement	21.4	7.8	29.2
Purchase of annuities	–	1.8	1.8
Death benefits	1.5	1.3	2.8
Taxation where lifetime or annual allowance exceeded	0.2	0.7	0.9
	168.7	11.6	180.3

Taxation arising on benefits paid or payable is in respect of members whose benefits have exceeded the Lifetime or Annual Allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

9. Payments to and on account of leavers

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Group transfers out	**–**	**136.6**	**136.6**
Individual transfers out	**130.4**	**123.2**	**253.6**
	130.4	**259.8**	**390.2**

9. Payments to and on account of leavers *(continued)*

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Group transfers out	–	–	–
Individual transfers out	128.3	133.0	261.3
	128.3	133.0	261.3

The group transfers out represents the transfer of assets of £1.8m in respect of the GSK Pension Scheme and £134.8m in respect of the GSK Pension Plan, which were transferred to Lifesight Master Trust in May 2022. The assets were sold out of the GSK Pension Plan as part of a bulk transfer following the separation of the GlaxoSmithKline Consumer Healthcare (UK) from the sponsoring employer. This represented 1,629 members assets.

10. Administrative expenses

	2022 Defined benefit section £m	**2022 Defined contribution section £m**	**2022 Total £m**
Administration and processing	**3.4**	**–**	**3.4**
Professional fees	**1.2**	**–**	**1.2**
Trustee fees and insurance	**0.2**	**–**	**0.2**
Regulator levies	**0.3**	**–**	**0.3**
Other admin expenses	**0.5**	**–**	**0.5**
	5.6	**–**	**5.6**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Administration and processing	3.6	–	3.6
Professional fees	1.1	–	1.1
Trustee fees and insurance	0.2	–	0.2
Regulator levies	0.2	–	0.2
Other admin expenses	0.6	–	0.6
	5.7	–	5.7

Administrative expenses in respect of both the defined benefit and defined contributions sections of the Scheme are borne by the defined benefit section and are recovered from the Employer by way of a contribution, as shown in note 5.

Included in the professional fees above are audit fees of £0.1m (2021: £0.1m) and investment consultancy fees of £0.4m (2021: £0.2m).

11. Investment income

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Other income	**(3.1)**	**–**	**(3.1)**
Income from bonds	**47.0**	**–**	**47.0**
Annuity income	**0.1**	**–**	**0.1**
Repo interest expense	**(19.3)**	**–**	**(19.3)**
Interest receivable	**2.3**	**–**	**2.3**
	27.0	**–**	**27.0**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Other income	(0.4)	–	(0.4)
Income from bonds	34.6	–	34.6
Annuity income	0.1	–	0.1
Repo interest expense	(0.4)	–	(0.4)
Interest receivable	0.1	–	0.1
	34.0	–	34.0

The negative other income is due to the currency gains and losses and any other realised and unrealised gains and losses.

12. Reconciliation of investments

Defined benefit section

	Value at 31 December 2021 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31 December 2022 £m
Investment in GSK CIF	**2,759.9**	**205.4**	**(1,294.8)**	**(292.0)**	**1,378.5**
Bonds	**3,035.3**	**1,973.7**	**(718.5)**	**(1,511.1)**	**2,779.4**
Derivatives	**122.7**	**323.1**	**(218.0)**	**(360.7)**	**(132.9)**
Insurance policies	**537.2**	**–**	**(21.6)**	**(140.2)**	**375.4**
	6,455.1	**2,502.2**	**(2,252.9)**	**(2,304.0)**	**4,400.4**
Cash	**4.4**			**–**	**948.1**
Other investment balances	**8.5**			**–**	**(11.4)**
Repurchase agreements	**(280.7)**			**–**	**(1,251.3)**
	6,187.3			**(2,304.0)**	**4,085.8**

Defined contribution section

	Value at 31 December 2021 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2022 £m
Pooled investment vehicles	**2,757.6**	**244.8**	**(369.3)**	**(264.9)**	**2,368.2**
AVC investments	**0.1**	**–**	**–**	**–**	**0.1**
	2,757.7	**244.8**	**(369.3)**	**(264.9)**	**2,368.3**

13. Transaction costs

Indirect transaction costs are included in the cost of purchases and deducted from the sales proceeds in the reconciliation in note 12.

There were no direct transaction costs incurred in the current or prior year.

Indirect costs are incurred through the bid-offer spread on defined contribution pooled investment vehicles and charges made within those vehicles. It is not possible for the Trustee to quantify such transaction costs.

14. Investment management expenses

	2022 Defined benefit section £m	**2022** Defined contribution section £m	**2022** Total £m
Investment manager fees	**4.1**	**–**	**4.1**
Custody fees, performance measurement and accounting	**0.2**	**–**	**0.2**
	4.3	**–**	**4.3**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Investment manager fees	2.4	–	2.4
Custody fees, performance measurement and accounting	0.2	–	0.2
	2.6	–	2.6

15. Taxation

There was no withholding taxation suffered on direct investment holdings.

Withholding taxation may have been suffered by the Scheme through its holding in pooled investment vehicles but it is not possible for the Trustee to quantify the amounts.

In addition, where withholding taxation has been suffered by the Scheme through its holding in the GSK CIF, the effect of that is disclosed in the Financial Statements of that entity.

16. Transfers between sections

	2022 Defined benefit section £m	**2022** Defined contribution section £m	**2022** Total £m
Transfers between sections	**18.5**	**(18.5)**	**–**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Transfers between sections	17.0	(17.0)	–

16. Transfers between sections *(continued)*

Transfers between the defined contribution (DC) and defined benefit (DB) section occur in a number of situations:-

- Where risk contributions of £14.5m (2021: £12.5m) in respect of DC members are shown in the DC section but are invested in the DB section;

- Internal annuitisation of £4.0m (2021: £4.5m), which is a transfer from the DC section to the DB section when a DC member retiring elects to take a pension from the Scheme at conversion rates set annually by the Trustee, rather than requesting an annuity under the open market option. This approach is also used for spouses' pensions arising from DC deaths in service or as an option under a Pension Sharing Order.

17. Investment in GSK Common Investment Fund

Details of the Scheme's investment in the GSK CIF can be viewed in the Annual Report and Financial Statements of that entity, which are included as Appendix 3 to this report.

At 31 December 2022 the Scheme's share of the GSK CIF was £1,378.5m, which represented 46.8% of the GSK CIF (2021: £2,759.9m, 45.9%).

18. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

		2022	
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Equity	**–**	**400.4**	**400.4**
Diversified growth	**–**	**7.2**	**7.2**
Cash	**–**	**37.0**	**37.0**
Lifecycle	**–**	**1,800.7**	**1,800.7**
Pre-retirement inflation linked	**–**	**54.3**	**54.3**
Shariah	**–**	**12.9**	**12.9**
Retirement income multi asset	**–**	**55.7**	**55.7**
	–	**2,368.2**	**2,368.2**

		2021	
	Defined benefit section £m	Defined contribution section £m	Total £m
Equity	–	488.0	488.0
Diversified growth	–	6.9	6.9
Cash	–	40.0	40.0
Lifecycle	–	2,075.4	2,075.4
Pre-retirement inflation linked	–	90.4	90.4
Shariah	–	13.6	13.6
Retirement income multi asset	–	43.3	43.3
	–	2,757.6	2,757.6

18. Pooled investment vehicles *(continued)*

The above investments represent the defined contribution investment arrangements including AVC investments which are invested in pooled funds with Legal & General. These defined contribution assets are allocated to provide benefits to the individuals on whose behalf the contributions are paid.

All pooled investment vehicle funds are structured as unit linked insurance policies.

19. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as explained in the Trustee's report. At the year-end the Scheme had the following derivatives:

	2022		
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Derivative assets			
Futures	**0.3**	**–**	**0.3**
Options	**0.8**	**–**	**0.8**
Swaps	**197.0**	**–**	**197.0**
Forward FX contracts	**5.5**	**–**	**5.5**
	203.6	**–**	**203.6**
Derivative liabilities			
Futures	**(0.2)**	**–**	**(0.2)**
Options	**(0.8)**	**–**	**(0.8)**
Swaps	**(333.0)**	**–**	**(333.0)**
Forward FX contracts	**(2.5)**	**–**	**(2.5)**
	(336.5)	**–**	**(336.5)**
	(132.9)	**–**	**(132.9)**

19. Derivatives *(continued)*

	2021 Defined benefit section £m	Defined contribution section £m	Total £m
Derivative assets			
Futures	–	–	–
Options	12.0	–	12.0
Swaps	174.1	–	174.1
Forward FX contracts	1.8	–	1.8
	187.9	–	187.9
Derivative liabilities			
Futures	(1.5)	–	(1.5)
Options	(32.9)	–	(32.9)
Swaps	(30.0)	–	(30.0)
Forward FX contracts	(0.8)	–	(0.8)
	(65.2)	–	(65.2)
	122.7	–	122.7

The Trustee holds various swap contracts to hedge a proportion of the interest rate and inflation sensitivity versus a prudent measure of the liabilities.

The Trustee holds a combination of call and put equity options on various regional market indices to reduce equity downside risk. The trades formed a collar structure such that they were entered into at a zero cost, since potential upside, above a specified level, was sacrificed to pay for the downside protection.

The Trustee holds bond futures to hedge US interest rate exposure back to neutral and also to manage interest rate exposure during the build phase of the corporate bond mandate.

The Trustee also uses forward foreign exchange contracts to hedge the US$ currency exposure within the US corporate bond mandate.

Futures

The Scheme had outstanding exchange traded futures at the year-end as follows:

Defined benefit section

Nature	No. of contracts	Economic exposure £m	Expires	Asset value £m	Liability value £m
Bond Futures	**8**	**137.8**	**Within 3 months**	**0.3**	**(0.2)**
Total 2022		**137.8**		**0.3**	**(0.2)**
Total 2021		158.7		–	(1.5)

19. Derivatives *(continued)*

Options
The Scheme had outstanding options at the year-end as follows:

Defined benefit section

Nature	No. of contracts	Notional principal £m	Expires	Asset value £m	Liability value £m
Bond put option	**1**	**(0.5)**	**Less than 1 year**	**–**	**–**
Stock call option - Emerging market traded equity	**2**	**–**	**Less than 1 year**	**0.4**	**(0.4)**
Stock put option - Emerging market traded equity	**2**	**–**	**Less than 1 year**	**0.4**	**(0.4)**
Total 2022		**(0.5)**		**0.8**	**(0.8)**
Total 2021		–		12.0	(32.9)

Swaps
The Scheme had outstanding derivative swap contracts at the year-end as follows:

Defined benefit section

Nature	No. of contracts	Notional amounts £m	Expires	Asset value £m	Liability value £m
Cleared Credit Default Swaps	**7**	**58.5**	**0-10 years**	**0.4**	**–**
Cleared Inflation Swaps	**11**	**399.9**	**0-10 years**	**62.4**	**–**
Cleared Inflation Swaps	**20**	**519.6**	**11-20 years**	**75.5**	**(6.1)**
Cleared Inflation Swaps	**4**	**115.9**	**21-30 years**	**14.5**	**–**
Cleared Inflation Swaps	**4**	**22.0**	**31-40 years**	**2.5**	**–**
Cleared Inflation Swaps	**7**	**34.6**	**41-50 years**	**3.1**	**(0.9)**
Cleared Interest Rate Swaps	**7**	**34.5**	**0-10 years**	**2.1**	**(0.4)**
Cleared Interest Rate Swaps	**2**	**11.4**	**11-20 years**	**–**	**(1.3)**
Cleared Zero Coupon Swaps	**17**	**1,810.9**	**0-10 years**	**0.2**	**(79.8)**
Cleared Zero Coupon Swaps	**12**	**634.3**	**11-20 years**	**26.1**	**(162.5)**
Cleared Zero Coupon Swaps	**4**	**49.5**	**21-30 years**	**1.9**	**(11.5)**
Cleared Zero Coupon Swaps	**3**	**112.1**	**31-40 years**	**0.5**	**(60.2)**
Cleared Zero Coupon Swaps	**4**	**54.7**	**41-50 years**	**7.7**	**(10.3)**
Credit Default Swaps	**2**	**1.0**	**0-10 years**	**0.1**	**–**
Total 2022		**3,858.9**		**197.0**	**(333.0)**
Total 2021		3,266.5		174.1	(30.0)

19. Derivatives *(continued)*

Forward FX contracts

The Scheme had open forward foreign exchange contracts at the year-end as follows:

Defined benefit section

Contract	Settlement date	No. of contracts	Currency bought	Currency sold	Asset value £m	Liability value £m
Forward	**Within 1 month**	**2**	**GBP 0.4m**	**CAD 0.6m**	**–**	**–**
Forward	**Within 1 month**	**13**	**GBP 35.8m**	**EUR 41.4m**	**–**	**(1.0)**
Forward	**Within 1 month**	**9**	**USD 8.5m**	**GBP 6.9m**	**0.1**	**–**
Forward	**Within 1 month**	**1**	**EUR 0.4m**	**GBP 0.4m**	**–**	**–**
Forward	**Within 1 month**	**7**	**USD 0.8m**	**HUF 293.0m**	**–**	**–**
Forward	**Within 1 month**	**24**	**GBP 267.4m**	**USD 316.7m**	**4.3**	**(0.1)**
Forward	**Within 3 months**	**3**	**GBP 123.1m**	**USD 148.6m**	**1.1**	**(1.4)**
Forward	**Within 1 month**	**1**	**EUR 1.4m**	**USD 1.5m**	**–**	**–**
Total 2022					**5.5**	**(2.5)**
Total 2021					1.8	(0.8)

20. Collateral

In order to manage counterparty default risk the swaps, equity options and repurchase contracts require there to be collateral arrangements. These require collateral in the form of cash or bonds to be passed between the parties depending on whether there is an asset or liability. The initial margin of OTC cleared swaps are 100% pledged and the variation margin are the net positions.

Type of Collateral	2022 Held	2022 Pledged	2022 Held	2022 Pledged
OTC Cleared	**Initial Margin**		**Variation margin**	
	£m	**£m**	**£m**	**£m**
Cash	**-**	**4.7**	**-**	**104.2**
Bonds	**-**	**180.7**	**-**	**-**
Total	**–**	**185.4**	**–**	**104.2**

OTC Bilateral	**2022 Held**	**2022 Pledged**
	£m	**£m**
Cash	**2.8**	**-**
Bonds	**2.3**	**6.6**
Total	**5.1**	**6.6**

Repos	**2022 Held**	**2022 Pledged**		**2022 Physical Leg MTM**
	£m	**£m**		**£m**
Cash	**–**	**31.6**	**Reverse repos**	**(41.4)**
Bonds	**–**	**312.4**	**Repos**	**981.2**
Total	**–**	**344.0**	**Net**	**939.8**

Type of Collateral	2021 Held	2021 Pledged	2021 Held	2021 Pledged
OTC Cleared	Initial Margin		Variation margin	
	£m	£m	£m	£m
Bonds	–	193.6	143.9	–
Total	–	193.6	143.9	–

OTC Bilateral	2021 Held	2021 Pledged
	£m	£m
Cash	2.4	-
Bonds	1.4	41.7
Total	3.8	41.7

Repos	2021 Held	2021 Pledged		2021 Physical Leg MTM
	£m	£m		£m
Bonds	–	6.1	Repos	280.3
Total	–	6.1	Net	280.3

21. Insurance policies

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Annuities	**375.4**	**–**	**375.4**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Annuities	537.2	–	537.2

The Trustee holds an insurance policy with The Prudential Assurance Company Limited ("PAC") which provides annuity income to cover certain insured liabilities. The benefit of the policy belongs to the Scheme as a whole and does not change the position of individual members who will see no change in how their pensions are provided.

The policy is valued periodically by the insurer and reviewed by the Trustee and its advisers to validate that valuation. Additional valuations can be carried out at the request of the Trustee, for example in times of financial distress. Further details on the valuation can be found in note 27.

There is a collateral structure in place whereby the Scheme has legal ownership of a pool of assets which it can access should PAC default on the contract or breach it in another way. The levels of collateral have been agreed with PAC and they are obliged to maintain the collateral level where necessary.

The assets in the collateral pool are managed by the fund manager, M&G, in accordance with a pre-agreed investment policy which ensures that the credit quality, liquidity and marketability of the portfolio are kept at appropriate levels. In the event of PAC defaulting on the contract the collateral pool passes back to the Trustee.

The value of collateral held under insurance policy was £413.9m (2021: £536.9m).

22. AVC investments

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Zurich Life Assurance	**–**	**0.1**	**0.1**

22. AVC investments *(continued)*

	2021 Defined benefit section £m	Defined contribution section £m	Total £m
Zurich Life Assurance	–	0.1	0.1

AVC investments are held to provide benefits to the individuals on whose behalf the corresponding contributions are invested. All AVC investments are held in the name of the members and are designated to those members by individual policies. The AVC assets of the Scheme are held with the above provider.

AVC contributions invested with Legal & General are invested in pooled arrangements and are shown within the pooled investment vehicles note. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

23. Cash

	2022 **Defined benefit section** **£m**	**Defined contribution section** **£m**	**Total** **£m**
Cash assets			
Sterling	**948.1**	**–**	**948.1**

	2021 Defined benefit section £m	Defined contribution section £m	Total £m
Cash assets			
Sterling	4.4	–	4.4

24. Other investment balances

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Other investment balances assets			
Pending sales	**5.4**	**–**	**5.4**
Interest receivable	**0.1**	**–**	**0.1**
	5.5	**–**	**5.5**
Other investment balances liabilities			
Pending purchases	**(16.9)**	**–**	**(16.9)**
	(11.4)	**–**	**(11.4)**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Other investment balances assets			
Pending sales	–	–	–
Interest receivable	8.5	–	8.5
	8.5	–	8.5
Other investment balances liabilities			
Pending purchases	–	–	–
	8.5	–	8.5

25. Repurchase agreements

	2022 Defined benefit section £m	2022 Defined contribution section £m	2022 Total £m
Amount receivable under reverse repurchase agreements	**39.9**	**–**	**39.9**
Amounts due under repurchase agreements	**(1,291.2)**	**–**	**(1,291.2)**
	(1,251.3)	**–**	**(1,251.3)**

	2021 Defined benefit section £m	2021 Defined contribution section £m	2021 Total £m
Amount receivable under reverse repurchase agreements	–	–	–
Amounts due under repurchase agreements	(280.7)	–	(280.7)
	(280.7)	–	(280.7)

At 31 December 2022, index-linked securities with a market value of £981.2m (2021: £280.3m) were held by the Scheme sold under repurchase agreement contracts. During the year the Scheme also entered into reverse repurchase agreements. Bonds with value of £41.4m (2021: £nil) are held as collateral under reverse repurchase agreements. The total margin of £344m (2021: £6.1m) includes both cash of £31.6m (2021: £nil) and bonds of £312.4m (2021: £6.1m). The Scheme has pledged additional margin of £31.6m (2021: £nil) collected on top of bonds, subject to repurchase contracts.

The repurchase agreements are part of the Scheme's liability matching portfolio with Legal & General. The contracts are used in conjunction with swap contracts to manage exposure to inflation. At the year end the Scheme had received cash consideration of £1,307.3m (2021: £280.7m) from the counterparties in return for the transfer of index-linked securities, which it is committed to repurchase for the consideration plus accrued interest. As at 31 December 2022, the total payable to the counterparties upon expiration of the contracts was £1,362.9m (2021: £280.9m).

26. Defined contribution assets

Defined contribution assets can be split into Defined contribution investment assets of £2,368.3m (2021: £2,757.7m) and assets reported under current assets and liabilities of £7.2m (2021: £11.4m).

The Defined contribution investment assets are those allocated to members and those not allocated to members. Those not allocated to members are available to the Trustee to apply in accordance with the rules of the Scheme.

Defined contribution investment assets are allocated as follows:

	2022	2021
	£m	£m
Allocated to members	**2,368.1**	2,757.4
Not allocated to members	**0.2**	0.3
	2,368.3	2,757.7

27. Fair value determination

The fair value of investment assets and liabilities has been determined using the following hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

27. Fair value determination ***(continued)***

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 December 2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Defined benefit section				
Investment in GSK CIF*	**–**	**–**	**1,378.5**	**1,378.5**
Bonds	**2,779.4**	**–**	**–**	**2,779.4**
Derivatives	**–**	**(132.9)**	**–**	**(132.9)**
Insurance policies	**–**	**–**	**375.4**	**375.4**
Cash	**948.1**	**–**	**–**	**948.1**
Other investment balances	**(11.4)**	**–**	**–**	**(11.4)**
Repurchase and reverse repurchase agreements	**–**	**(1,251.3)**	**–**	**(1,251.3)**
	3,716.1	**(1,384.2)**	**1,753.9**	**4,085.8**
Defined contribution section				
Pooled investment vehicles	**–**	**2,368.2**	**–**	**2,368.2**
AVC investments	**–**	**–**	**0.1**	**0.1**
	–	**2,368.2**	**0.1**	**2,368.3**
	3,716.1	**984.0**	**1,754.0**	**6,454.1**

	At 31 December 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Defined benefit section				
Investment in GSK CIF*	–	–	2,759.9	2,759.9
Bonds	3,035.3	–	–	3,035.3
Derivatives	–	122.7	–	122.7
Insurance policies	–	–	537.2	537.2
Cash	4.4	–	–	4.4
Other investment balances	8.5	–	–	8.5
Repurchase and reverse repurchase agreements	–	(280.7)	–	(280.7)
	3,048.2	(158.0)	3,297.1	6,187.3
Defined contribution section				
Pooled investment vehicles	–	2,757.6	–	2,757.6
AVC investments	–	–	0.1	0.1
	–	2,757.6	0.1	2,757.7
	3,048.2	2,599.6	3,297.2	8,945.0

27. Fair value determination *(continued)*

*The Scheme's share of the GSK CIF has been categorised as Level 3 investments in the tables above. The total of the CIF's investments are categorised accordingly in the Financial Statements of the GSK CIF which are included in Appendix 3.

The key assumptions behind the pooled investment vehicles categorised as Level 3 investments in the GSK CIF are given in the Annual Report and Financial Statements of the GSK CIF, which is appended to this Annual Report. AVC investments included in Level 3 are based on valuations as assessed and provided by the investment managers. Insurance policies valuations included in Level 3 are calculated by the Scheme Actuary.

The bulk insurance policy is valued at the fair value of the liability as calculated and provided by PAC. The basis of valuation is the termination amount payable, should the Trustee terminate the policy due to a PAC fault. The termination amount is calculated as PAC's Solvency II Best Estimate Liability for the policy but uplifted by 19.37%. The Solvency II Best Estimate Liability is calculated by taking the expected future benefits payable to the Trustee under the policy, discounted back to the year end. The uplift was set at the outset of the policy such that the termination amount was equal to the purchase price. The uplift was adjusted at 31 December 2015 when PAC moved onto new a Solvency II reserving measure. This adjustment was done in such a way that there was no change in the termination amount as a result of the transition to Solvency II.

The discount interest rate is a single equivalent rate of 1.4% p.a. The future Retail Price Inflation assumption is a single equivalent rate of 3.3% p.a. The mortality assumptions are set by reference to the PA08 mortality tables with an allowance for improvements in mortality in line with Continuous Mortality Investigation 2017 ("CMI 2017") projections, with long term improvement trends of 1.75% p.a. (males) and 1.50% p.a. (females). 72% of pensioners are assumed to be married at retirement, with males 3 years older than female spouses.

28. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy which is described in the Investment section of the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio. Further information on the Trustee's approach to risk management and exposures to credit and market risks are set out below and applies at both the current and previous year end unless otherwise stated. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme but does include defined contribution assets.

28. Investment risk disclosures *(continued)*

Defined benefit section

Credit risk

Direct credit risk arises where the Scheme directly invests in bonds and Over-The-Counter ("OTC") derivatives, holds insurance policies, cash and cash equivalents and enters into repurchase agreements. Credit risk also arises through the Scheme's share of the GSK CIF where it holds cash and cash equivalents and invests in pooled investment vehicles. A summary of exposures to direct credit risk is given in the following table. The notes below explain how this risk is managed.

	2022			2021		
	Investment grade	**Unrated**	**Total**	Investment grade	Unrated	Total
	£m	**£m**	**£m**	£m	£m	£m
Investment in the GSK CIF	**12.5**	**1,266.1**	**1,278.6**	63.3	2,591.0	2,654.3
Bonds	**2,779.4**	**–**	**2,779.4**	3,035.3	–	3,035.3
Insurance polices	**–**	**375.4**	**375.4**	–	537.2	537.2
Derivatives assets – over the counter swaps	**197.0**	**–**	**197.0**	174.2	–	174.2
Derivatives liabilities – over the counter swaps	**(333.0)**	**–**	**(333.0)**	(30.0)	–	(30.0)
Cash and cash equivalents	**948.1**	**–**	**948.1**	4.4	–	4.4
Repurchase and reverse repurchase agreements	**(1,251.3)**	**–**	**(1,251.3)**	(280.7)	–	(280.7)
Foreign exchange contracts	**3.0**	**–**	**3.0**	1.0	–	1.0
Total	**2,355.7**	**1,641.5**	**3997.2**	2,967.5	3,128.2	6,095.7

Direct credit risk arising from directly held bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are primarily rated as investment grade. The Trustee manages this associated credit risk by requiring the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Direct credit risk arising from the insurance policy is mitigated by holding collateral assets to back the policy and the regulatory environments in which the provider operates. The Trustee carried out due diligence checks on the appointment of the provider, and on an ongoing basis monitors any changes to the regulatory and operating environment of the insurance provider.

28. Investment risk disclosures ***(continued)***

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The direct credit risk for OTC swaps is reduced by collateral arrangements (see page 20). The Trustee has policies as to the choice of counterparties for derivatives and the amount of concentration that it can have with any one counterparty which is determined by the credit quality of that institution. There are also limits on the types and value of collateral that are given or received for derivatives.

Cash and cash equivalents are held within financial institutions which are at least investment grade credit rated. Direct credit risk is further mitigated by limiting the amount of cash and cash equivalents that can be held with any one financial institution.

Direct credit risk on repurchase agreements is mitigated through collateral arrangements as disclosed in note 25 with the counterparty providing collateral of at least investment grade quality, in the case of default.

Bonds and collateral assets which are at least BBB- credit rated are considered investment grade. Credit risk is further mitigated by the Trustee through the selection process for managers and the setting and monitoring of risk limits for managers and counterparties.

The GSK CIF's holdings in pooled investment vehicles are unquoted and therefore are not investment grade rated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers funds and the regulatory environments in which the pooled managers operate. The Trustee also carries out due diligence checks on the appointment of new pooled investment managers, carries out due diligence an ongoing basis and monitors any changes to the regulatory and operating environment of the pooled managers.

Indirect credit risk arises in the Scheme’s share of the GSK CIF in relation to multi asset pooled investment vehicles where underlying assets may include bond and credit assets and also in equity pooled investment vehicles where underlying investments may include fixed income securities and derivatives. Rental income from properties in the GSK CIF, whether held directly or through pooled investment vehicles, also introduces indirect credit risk.

Indirect credit risk within the GSK CIF is managed by constructing a diverse portfolio of investments across multiple markets and asset diversification by the investment managers.

28. Investment risk disclosures *(continued)*

Currency risk

Direct currency risk arises in the Scheme's share of the GSK CIF where pooled investment vehicles are denominated in currencies other than sterling or via overseas corporate bond holdings.

The Scheme's total net unhedged currency exposure by major currency was as follows. The note below explains how the risk is managed.

Currency	**2022**	2021
	£m	£m
US Dollar	**603.2**	258.6
Euro	**135.0**	–
Others	**0.8**	–
Total	**739.0**	258.6

The Trustee manages currency risk through the implementation and regular monitoring of a neutral benchmark which sets out the preferred allocation of its investments across different geographical locations and in some cases, invests in either currency hedged share classes of pooled funds or utilises currency hedging as part of segregated mandates.

Indirect currency risk arises in the Scheme's share of the GSK CIF in relation to pooled investment vehicles (whether denominated in sterling or foreign currencies) where the underlying investments are made in overseas markets.

28. Investment risk disclosures *(continued)*

Interest rate risk

Liability matching assets where investments are held in bonds, zero coupon interest rate swaps, insurance policies, repurchase agreements, cash and cash equivalents are exposed to direct interest rate risk. Interest rate risk also arises through the Scheme's share of the GSK CIF where the GSK CIF holds cash and cash equivalents.

A summary of exposures to interest rate risk is given in the following table. The note below explains how this risk is managed.

	2022 **£m**	2021 £m
Investment in the GSK CIF	**12.5**	63.3
Bonds	**2,779.4**	3,035.3
Derivatives OTC swaps		
Zero coupon interest rate swaps	**(287.3)**	44.2
Credit default swaps	**0.5**	–
Insurance policies	**375.4**	537.2
Cash and cash equivalents	**948.1**	4.4
Repurchase and reverse repurchase agreements	**(1,251.3)**	(280.7)
Total	**2,577.3**	3,403.7

The Trustee manages interest rate risk exposure by constructing a diverse portfolio of investments across multiple markets. The Trustee has set a benchmark for total investment in investment grade bonds, gilts, insurance policies and interest rate and inflation derivatives as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help mitigate the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 66.2% of the total investment portfolio (2021: 56.4%).

The Scheme is exposed to interest rate risk through the bulk annuity policy held with PAC. Interest rates affect how future receipts from the policy are discounted and this impacts the value of the policy. However, movements in the value of the annuity policy asset match the value of the associated insured liabilities and therefore have no effect on the funding of the Scheme. Therefore, this is not considered to be a risk at a Scheme level.

Indirect interest rate risk arises in the Scheme's share of the GSK CIF in relation to multi asset pooled investment vehicles where underlying assets may include bond and credit assets and equity pooled investment vehicles where underlying investments may include fixed income securities.

The Trustee manages indirect interest rate risk exposure by constructing a diverse portfolio of investments across multiple markets. The Trustee also aims to take into account indirect interest rate risk in the GSK CIF through their liability matching asset strategy which includes assets such as index linked gilts, buy-in policies, corporate bonds, cash and cash equivalents and also through the hedging programme.

28. Investment risk disclosures ***(continued)***

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Other price risk arises principally in relation to the Scheme's share of the GSK CIF. The GSK CIF holds the Scheme's share of its return seeking portfolio which includes equities in pooled investment vehicles, multi asset pooled investment vehicles and properties held directly and indirectly in the form of pooled investment vehicles.

The value of equities can be volatile especially in the short term. Properties are exposed to other price risks in relation to rental and sale values which are determined by the strength of the market and investment yields which can fluctuate due to investment demand. The value of property is generally a matter of the valuer's opinion rather than fact. The value of pooled investment vehicles may be affected by the level of withdrawals from the funds and also by uncertainties such as international political developments, market sentiment and volatility, economic conditions, changes in government policies, restrictions on foreign investment and currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.

At the year end the return seeking portfolio represents 33.8% of the total investment portfolio (2021: 43.6%).

A summary of exposures to other price risk is given in the following table. The notes below explain how this risk is managed.

	2022 **£m**	2021 £m
Investment in the GSK CIF	**1,364.2**	2,695.8
Derivative assets – over the counter equity options	**1.7**	12.0
Derivative liabilities – over the counter equity options	**(1.7)**	(32.9)
Derivative assets – over the counter equity futures	**0.3**	–
Derivative liabilities – over the counter equity futures	**(0.2)**	(1.6)
Total	**1,364.3**	2,673.3

The Trustee manages other price risk exposure by constructing a diverse portfolio of investments across multiple markets. The Trustee aims to mitigate inflation risk, arising from the liability to pay future pension benefits, through investments in liability matching assets and through the hedging programme. The Trustee will also consider increasing hedging its equity risk from time to time.

The underlying risks relating to the investments held by the GSK CIF are dealt with in the GSK CIF's financial statements, which are appended to this document.

At the year end, and subsequent to the year end, there has been no restrictions imposed on the trading of any assets.

28. Investment risk disclosures *(continued)*

Defined contribution section

Investment strategy

The investment objective of the defined contribution section is to offer an appropriate range of investment options to members designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can make their retirement decisions. The Statement of Investment Principles, (the "SIP") outlines the investment objectives for the defined contribution assets of the Scheme.

The investment funds offered to members are a combination of underlying funds which are presented as "white label" funds by Legal & General Investment Management Limited ("L&G"). These are funds specifically created for the GSK Pension Scheme and are invested in other funds available through the L&G platform but with more beneficial pricing arrangements. Ten such funds are available; UK Equity, Cash, Lifecycle, Global Equity, Overseas Equity, Pre-Retirement Inflation Linked, Diversified Growth, Retire Inc Multi-Asset, Shariah and Global Sustainable Equity fund.

The Trustee has an insurance contract in place with L&G that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of the investment manager, including the direct management of credit and market risks.

Fund name	**Credit risk**	**Currency risk**	**Interest rate risk**	**Other price risk**	**2022**	2021
					£m	£m
LGIM GSK Diversified Growth (Net)	✓	✓	✓	✓	**7.2**	6.9
LGIM GSK UK Equity Ind (Net)	✓	x	x	✓	**55.7**	59.9
LGIM GSK Cash Fund (Net)	✓	x	✓	x	**37.0**	40.0
LGIM GSK Lifecycle Fund (Net)	✓	✓	✓	✓	**1,800.7**	2,075.4
LGIM GSK Inf Link Pre-Ret Net	✓	x	✓	✓	**54.3**	90.4
LGIM GSK Overseas Eq Index Net	✓	✓	x	✓	**92.9**	111.4
LGIM GSK Global Equity Index Net	✓	✓	x	✓	**248.5**	313.9
LGIM GSK Shariah Fund	✓	✓	x	✓	**12.9**	13.6
LGIM GSK Global Sustainable Equity	✓	✓	x	✓	**3.3**	2.8
LGIM GSK Retire Inc Multi-Asset	✓	✓	✓	✓	**55.7**	43.3
Total					**2,368.2**	2,757.6

28. Investment risk disclosures *(continued)*

Credit risk

The Trustee monitors the underlying risks by quarterly investment reviews of the defined contribution funds. The risks disclosed here relate to the defined contribution section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the section as a whole.

The defined contribution investments are subject to direct credit risk in relation to L&G through its holdings in unit linked insurance funds provided by the manager. L&G is regulated by the Financial Conduct Authority and maintains separate funds for their policy holders. The Trustee monitors the creditworthiness of the manager by reviewing published credit ratings. In the event of default, members may be entitled to limited compensation from the Financial Services Compensation Scheme.

The Scheme's DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members.

All of the DC pooled investment vehicles are unit linked insurance contracts.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

Market risk

The Scheme's DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by LGIM. All of the DC funds are readily marketable, both at the year end, and subsequent to the year end.

29. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2022		2021	
	£m	**%**	£m	%
Defined benefit section				
Investment in GSK CIF	**1,378.5**	**21.30**	2,759.9	30.80
LGIM Sterling Liquidity Fund	**714.6**	**11.10**	–	–
Insurance policy	**375.4**	**5.80**	537.2	6.00
Defined contribution section				
Legal & General GSK Lifecycle Fund	**1,800.7**	**27.80**	2,075.5	23.10

The Legal & General investments in the defined contribution section above are pooled arrangements which ultimately have multiple underlying assets none of which exceed 5% of the net assets of the Scheme.

30. Employer related investments

The Occupational Pension Schemes (Investment) Regulations 2005 limit the total investment by a pension scheme in its sponsoring group to 5% of the scheme's total assets at market value.

There were nil direct investments in the GSK Group at the year end (2021: £nil). The Trustee recognises that indirect investment in the GSK Group is possible through holdings in pooled investment vehicles held by the Scheme.

Based on information provided by the investment managers the Trustee believes that the indirect exposure at 31 December 2022 under the above regulations was 0.0% (2021: 0.0%) and on a full look through basis a reasonable estimate of the indirect exposure in pooled investment vehicles at 31 December 2022 was 0.08% (2021: 0.1%).

Furthermore, there was some indirect exposure within the GSK CIF which is disclosed within the GSK CIF Financial Statements. Overall, the Scheme's total direct and indirect investment in the GSK Group at 31 December 2022 and 31 December 2021 was less than 5% of the Scheme's net assets.

31. Current assets

	2022		
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Other debtors	**–**	**1.5**	**1.5**
Augmentations receivable	**0.4**	**1.2**	**1.6**
Pensions paid in advance	**2.7**	**–**	**2.7**
Due between sections	**0.4**	**–**	**0.4**
Cash balances	**6.2**	**6.7**	**12.9**
	9.7	**9.4**	**19.1**

	2021		
	Defined benefit section £m	Defined contribution section £m	Total £m
Other debtors	–	0.3	0.3
Augmentations receivable	6.1	4.6	10.7
Pensions paid in advance	2.6	–	2.6
Due between sections	0.3	–	0.3
Cash balances	8.9	7.9	16.8
	17.9	12.8	30.7

Augmentations due at the year end were received after the year end in accordance with the due date in the Schedule of Contributions, and therefore are not classed as employer related investments.

Within the defined contribution cash balance, £6.3m (2021: £7.6m) is allocated to members and £0.4m (2021: £0.3m) is not allocated to members.

32. Current liabilities

	2022		
	Defined benefit section £m	**Defined contribution section £m**	**Total £m**
Benefits payable	**3.2**	**0.8**	**4.0**
Other creditors	**–**	**0.1**	**0.1**
Accruals	**4.3**	**–**	**4.3**
Due between sections	**–**	**0.4**	**0.4**
Due to HMRC	**0.3**	**0.9**	**1.2**
Due to GSK Services Unlimited	**1.2**	**–**	**1.2**
	9.0	**2.2**	**11.2**

	2021		
	Defined benefit section £m	Defined contribution section £m	Total £m
Benefits payable	3.3	0.5	3.8
Other creditors	–	0.1	0.1
Accruals	3.8	–	3.8
Due between sections	–	0.3	0.3
Due to HMRC	–	0.5	0.5
Due to GSK Services Unlimited	1.3	–	1.3
	8.4	1.4	9.8

The current liabilities within the DC section balance of £2.2m (2021: £1.4m) are allocated to members.

33. Related party transactions

The following related party transactions are disclosable:-

Key management personnel of the Scheme

During the year the Scheme paid a pension to four of the Trustee Directors (2021: one) and to no spouse/partner of the Trustee Directors (2021: one), who were members of the Scheme during their employment with the GSK Group. Three of the Trustee Directors (2021: Three) and two of the Trustee Directors' spouses/partners (2021: one) were also paid a pension from other connected GSK pension schemes relating to their employment with the GSK Group. These benefits were paid in accordance with the Trust Deed and Rules governing the relevant connected GSK pension scheme.

In addition, one Trustee Director (2021: one) received an unfunded pension direct from the GSK Group relating to their previous employment with the GSK Group and three Trustee Directors (2021: two) received remuneration and benefits from the GSK Group relating to their ongoing employment with the GSK Group during the year.

During the year fees totalling £0.17m (2021: £0.1m) were paid to seven of the Trustee Directors (2021: five) for their services as Trustee Directors. These fees are included within administrative expenses in note 10. In addition, seven of the Trustee Directors (2021: five) received fees from other connected GSK Pension Schemes for their services as Trustee Directors to those schemes. Fees paid have been disclosed in the individual GSK pension scheme financial statements, from where these transactions arise, as appropriate.

During the year other connected GSK Pension Schemes received pension contributions in respect of three Trustee Directors (2021: two) who were employees of the GSK Group.

Other related parties

During the year the Scheme was charged £6.3m (2021: £5.3m) by the principal employer for the costs incurred by the Company in administering the Scheme.

At the year end £1.2m (2021: £1.3m) was due to the principal employer in respect of costs paid on behalf of the Scheme.

The Scheme holds investments in the GSK CIF, in which it is a co-participant with other GSK pension schemes. The value of the Scheme's holding in the GSK CIF at 31 December 2022 is shown in note 17.

At the year end, the audit fee, levy fees and administrative fees of Glaxo Wellcome Contracted-Out Money Purchase Scheme are borne fifty percent by GSK Pension Scheme. This is an inter-company transaction and the fees have been disclosed in these Financial Statements.

34. Contractual commitments

Apart from the contractual commitments within the GSK CIF which are disclosed within the GSK CIF Financial Statements, as at 31 December 2022, there were no contractual commitments in respect of uncalled capital on investments (2021: £Nil).

35. Subsequent events

On 12 May 2023, GSK completed the sale of 240m ordinary shares in Haleon plc at a price of 335 pence per share, raising gross proceeds of approximately £804m. As a result, the Scheme received a sales proceeds designated pension contribution, and other employer contribution for interest, totalling £174.3m on 18 May 2023. The effect of this is to reduce the deficit repair contributions due in the future as noted in Note 5.

Introduction

As Chair of the Trustee of the GSK Pension Scheme (the "Scheme"), I am pleased to provide you with an annual statement regarding Defined Contribution ("DC") Governance.

I am required by pensions regulations to provide you with this annual statement which explains what steps have been taken, during the year, by the Trustee Board, to meet certain DC governance standards. Pensions regulations set out the areas where information must be included in this Statement and this is set out below and covered in detail in the rest of this Statement.

- Details of the default arrangements;
- Review of the default arrangements;
- Other lifecycle funds available;
- Processing financial transactions;
- Net return on investments;
- Charges and transaction costs;
- Impact of charges and transaction costs;
- Value for members assessment; and
- Trustee knowledge and understanding.

The Scheme has two DC Sections, namely the GSK Pension Plan (the "GSKPP Section") and the Glaxo Wellcome Pension Plan (the "GWPP Section"). The GSKPP Section is open to new members and is significantly the largest section in terms of assets, number of members and ongoing contributions. This Section is used for auto -enrolment purposes. The GWPP Section is closed to new members but is currently open to future contributions. The Scheme governance is common to both Sections (collectively referred to as the "DC Sections" in this Statement) but where there are differences these are referenced throughout the Statement.

The Scheme also has a Defined Benefit Section, the members of which can contribute Additional Voluntary Contributions ("AVCs") on a money purchase basis. This Statement also covers these AVC arrangements and for the purposes of this Statement, they are included where reference is made to the DC Sections.

The Trustee recognises the importance of the DC Sections of the Scheme in helping members achieve a good outcome in retirement. As a result, the Trustee has established a Joint Defined Contribution Committee (the "JDCC"), together with GSK's other UK Occupational Defined Contribution Scheme arrangements, which oversees the Defined Contribution investment strategy for the Scheme.

The JDCC is responsible for reviewing on behalf of, and reporting and recommending to the Trustee Board, in respect of all aspects of the Scheme's DC Sections, including such matters as monitoring fund performance, the default investment strategies, fund choices and costs and charges.

There is also a Joint Audit, Risk and Operations Committee (the "JAROC") which is responsible for reviewing on behalf of, and reporting and recommending to the Trustee Board, in respect of all operational aspects of the DC Sections, including matters such as processing of the Scheme's core financial transactions.

Both committees operate under terms of reference which are agreed by the Trustee Board. These terms of reference allow the committees to carry out certain functions, such as monitoring, and formulating proposals, with recommendations being made to the Trustee Board. The Chairs of the committees provide updates on committee business at the quarterly Trustee Board meetings.

The Trustee also has a dedicated pensions management team at GSK (the "GSK management team") made up of experienced pension professionals, who manage the day to day operations of the Scheme and deal with the outsourced providers on a regular basis.

This Statement is designed to explain compliance with the aspects of DC governance which are required by pensions regulations to be covered in the Chair's Statement on DC Governance. It should not be read as a comprehensive document explaining the DC Sections of the Scheme as other Scheme related documentation, such as the Information Booklets and DC Decision Guides, are designed to do that. Those documents are available on the GSK Intranet site for active members, and from the pension administrators (contact details below) for deferred members.

More detailed information about the DC Sections of the Scheme is also provided in the Scheme's Statement of Investment Principles (SIP), which is appended to this Statement, and the SIP should be read in conjunction with this Statement. The SIP was last reviewed and updated on 30 September 2021.

More detail on the DC arrangements can be obtained from the administrators using the following contact details: -

GSK Pensions Team
Willis Towers Watson
PO Box 545
Redhill
Surrey
RH1 1YX
Email: gskpensions@willistowerswatson.com
Phone: 01737 227563

Details of the Default arrangements

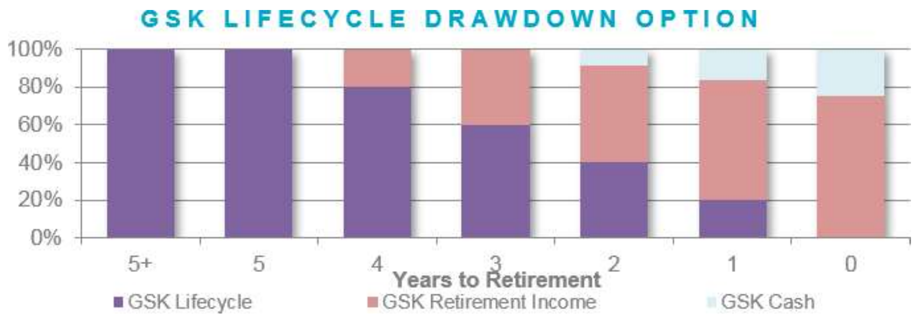
A default DC investment arrangement is provided for members who do not choose an investment option for their DC contributions. Members can also choose to invest in this default arrangement which is selected by the Trustee.

Where default arrangements are mentioned in this Statement they refer to both the GSKPP and GWPP Sections of the Scheme.

The current default arrangement for DC members is the GSK Lifecycle Drawdown Option. It is intended for members who are looking to target drawing down an income from their pension pot in retirement.

The GSK Lifecycle Drawdown Option invests in the growth phase, via the GSK Lifecycle Fund, until the member reaches 5 years from their selected retirement age. During the 5 years up to the retirement date, the member's account will gradually be switched to the GSK Retirement Income Fund and GSK Cash Fund, in order to protect the value of their account. This is known as the "pre-retirement phase".

This is illustrated in the graph below.



Other Default Options

In addition, there are two legacy default investment options – the GSK Lifecycle Pension Option and the GSK Lifecycle (pre-2014) Option.

Up until June 2014 the default arrangement for all members was the GSK Lifecycle (pre-2014) Option, which had a 10 year de-risking glidepath. When the new GSK Lifecycle Pension Option was introduced in June 2014 (which reduced the de-risking period from 10 to 5 years), most members were automatically switched to that new option. However, the Trustee decided that members with less than 10 years until their selected retirement date (as at 1 June 2014) should continue to be invested in the GSK Lifecycle (pre-2014) Option, to avoid them re-risking.

More recently, until July 2021, the default arrangement for all members was the GSK Lifecycle Pension Option, which is illustrated in the table below. When the Trustee reviewed the default arrangements in 2020, the Trustee decided that members with less than 3 years until their select retirement date (as at 1 July 2021) should continue to be invested in the GSK Lifecycle Pension Option unless they opted to transfer to the new default.

Years to Retirement Date	**GSK Lifecycle Fund**	**GSK Inflation Linked Pre-Retirement Fund**	**GSK Cash Fund**
5+	100%	0%	0%
4	80%	20%	0%
3	60%	40%	0%
2	40%	52%	8%
1	20%	64%	16%
0	0%	75%	25%

Full details of these legacy arrangements can also be found in the SIP which is attached to this Statement.

Review of the Default arrangements

The Trustee is expected to:-

- Review the investment strategy, objectives and performance of the default investment arrangements at least every three years, and without delay after any significant change in investment policy or demographic profile of the members invested in the default arrangement; and
- Take into account the best interests of the Scheme membership when designing the default arrangements.

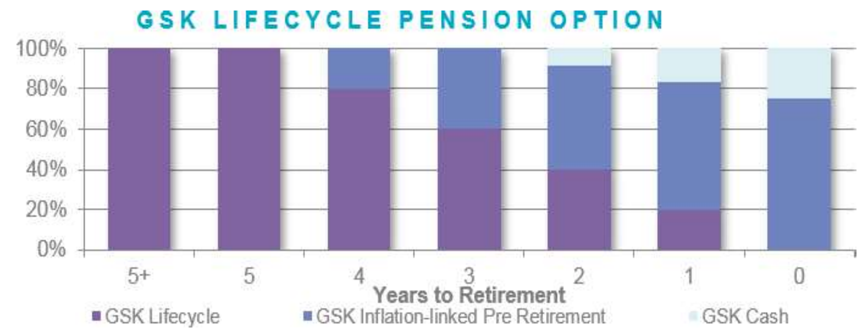
Given the importance of the default arrangements, the Trustee regularly reviews the arrangements, their component parts, and the performance of the funds (performance being reviewed quarterly by the JDCC).

The most recent formal review of the default arrangements was concluded on 18 February 2020. The Trustee reviews the arrangements regularly and during 2022, commenced a formal review of the default arrangements in line with the triennial requirement. Any resultant changes will be made during 2023 and reported on in next year's Chair's Statement.

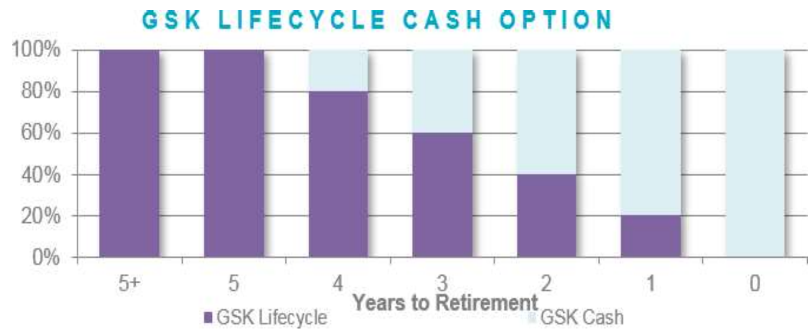
Other Lifecycle Funds available

In addition to the GSK Lifecycle Drawdown Option, there are two other Lifecycle Fund options available for those members who do not wish to use their fund to draw down an income from their pension pot in retirement.

The GSK Lifecycle Pension Option, illustrated in the graph below, is available for those members who wish to use their fund to purchase an inflation-linked pension on retirement.



The GSK Lifecycle Cash Option, illustrated in the graph below, is available for those members intending to take their pension pot as a one-off cash lump sum at retirement.



With the default option targeting income drawdown, and the two other Lifecycle fund options mentioned above, the Trustee believes it offers members adequate options to allow them to invest in a manner appropriate to their intentions at retirement.

Full details on the default arrangements and the other fund options available can be found in the SIP which governs decisions about the investments, which is attached to this Statement.

Processing financial transactions

The Trustee has a duty to ensure that core financial transactions relating to the DC Sections are processed promptly and accurately.

This includes, but is not limited to, the following:-

- Investing contributions into the Scheme;
- Transferring assets relating to members in and out of the Scheme;
- Transferring assets relating to members between different investments within the Scheme (investment switches); and
- Making payments from the Scheme in respect of members.

The Trustee delegates the DC administration of the Scheme to Willis Towers Watson and has appointed Legal & General Assurance (Pensions Management) Limited ("L&G") to provide DC investment platform services to the Scheme.

Whilst the Trustee has delegated the day to day administration of the Scheme to third-party administrator~~s~~, it has a robust governance framework in place to oversee and monitor their performance, including minimum timescales for all services via formal Service Level Agreements (SLAs).

The administrators' contractual agreements are comprehensive documents and include key target service levels for all core financial transactional areas, covering accuracy and timeliness of all core financial transactions. These core financial transactions include reconciliation and investing of contributions, reconciliation of units, investment switches, transfers and retirement benefits.

Below is a high level summary of some of the key DC items included in the SLAs for the administrators: -

- Contributions reconciliation and investment – 5 working days following receipt of contributions;
- Processing of switches – 5 working days;
- Disinvestments – 5 working days; and
- Transfer quotes – 5 working days.

Dedicated DC specialist teams are responsible for the day to day management of the DC Sections at the administrators. These teams focus on accurate and timely processing of transactions. This includes daily checking of bank accounts, including cash requirements, clear segregation of duties, and a robust checking and authorising process for ensuring accuracy when processing transactions.

During the year, the GSK management team reviewed performance against the SLA requirements regularly through fortnightly service review meetings and calls. Any issues with meeting the SLAs were discussed, along with individual member cases, any complaints, and updates on any ongoing projects. Performance was reported to the JAROC at their quarterly meetings.

The table below sets out the compliance against SLAs for the year by quarter.

Administrator		**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**
Willis Towers Watson (GWPP Section)	Actual	97%	95%	97%	98%
	Target	95%	95%	95%	95%
Willis Towers Watson (GSKPP Section)	Actual	93%	92%	91%	91%
	Target	95%	95%	95%	95%

The administration of the GWPP Section was above SLA target in throughout 2022 with the administration of the GSKPP Section slightly below target for whole year.

During the year, the administrators provided quarterly reports, which included performance against SLAs in all the key areas, and these reports were formally presented to, and discussed with, the JAROC at each of its quarterly meetings. Willis Towers Watson attended quarterly JAROC meeting during the year.

The administrators produce internal control reports annually, which set out their control environment and the results of the independent auditors' testing of their controls. These reports were reviewed by the GSK management team during the year and any issues were fully investigated and discussed with the administrators. If any significant issues had arisen these would have been reported to the JAROC. There were no material matters reported in the year.

The Trustee also has a formal risk management process, which includes a full Risk Map which outlines the risks to Scheme members and how the Trustee mitigates those risks. The risks included in the Risk Map were monitored and reviewed quarterly by an Internal Risk Group, comprising members of the GSK management team, and the DC risks were reported to the JDCC and JAROC.

The Trustee's aim is to have all core financial transactions processed promptly and accurately throughout the year, including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to, and in respect of, members and beneficiaries.

Whilst there were some issues with meeting SLA requirements during the year, these issues were primarily around elements of individual DC member transactions and did not impact the processing of core financial transactions as a whole, which are largely automated.

Overall, the Trustee is satisfied that, based on the processes in place and the information described above, for the year, in all material respects, these core financial transactions have been processed promptly and accurately.

Due to the size of the DC Sections, and the volume of transactions being processed, from time to time errors in processing are identified. Where such isolated incidents were identified, the following process was followed: -

- The issue was logged by the administrator and reported through to the GSK management team;
- The issue was discussed at the GSK management team's regular service review meetings with the administrators, and any actions needed to resolve issues were discussed;
- The issue was reported to the GSK management team's Internal Risk Group; and
- The issue was reported to the JAROC, with full details of the issue where the issue was deemed significant.

If issues are considered serious they would be escalated immediately to the Trustee Board. There were no such incidents during the year.

The GSK management team also worked with the administrators to ensure that there was a robust plan in place to correct any issues, and monitored this through to completion to ensure a thorough root cause analysis took place to identify process improvements and future risk mitigations.

The progress and resolution of any significant issues was monitored by the JAROC. Any issues identified which impacted members would normally be communicated to members, unless the impact was immaterial.

The Trustee's aim is that if any processing errors take place, members do not suffer any financial loss as a result of any delays or errors in processing these core financial transactions, and all reasonable steps will be taken to put them back to the position they would otherwise have been in, had the error not occurred.

Where any issues have arisen during the year and were reported and discussed at the JAROC they were also reported to the Trustee Board through the Committee updates that are provided at each meeting. All Trustee Directors receive the minutes of the JAROC (and the JDCC) at their meetings and they are referred to and discussed when the updates are given. This process ensures that all Trustee Directors are aware of all significant matters.

Net returns on investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the Freecycle fund range.

Lifestyles

Lifestyle strategies – Lifecycle Drawdown Option/Lifecycle Pension Option/Lifecycle Cash Option *	**Annualised returns to 31 December 2022 (%)**	
	1 year	**5 years**
Age of member		
25, 45, 55	-8.5	5.3

Source: LGIM.

**As the growth phase is equal between lifestyles, the expected returns are assumed to be equal as well.*

Lifestyle strategies – Lifecycle (Pre-2014) Option	**Annualised returns to 31 December 2022 (%)**	
	1 year	**5 years**
Age of member		
25, 45	-12.7	6.3
55	-13.2	2.9

Source: LGIM.

Freecycle Funds

Freecycle funds	**Annualised returns to 31 December 2022 (%)**	
	1 year	**5 year**
GSK UK Equity Index Fund	0.8	3.2
GSK Overseas Equity Index Fund	-13.3	7.0
GSK Global Equity Index Fund	-12.6	6.3
GSK Inflation Linked Pre-Retirement Fund	-34.3	-4.5
GSK Cash Fund	1.3	0.6
GSK Diversified Growth Fund	-0.9	2.9
GSK Lifecycle Fund	-8.6	5.3
GSK Shariah Fund	-15.8	n/a*
GSK Retirement Income Fund	-7.5	n/a*
GSK Global Sustainable Equity Fund	-13.4	n/a*
Zurich With-Profits Unit-linked Series 1	-12.0	5.4
Zurich With-Profits Unit-linked Series 4	-7.9	0.5

Source: LGIM and Zurich.

**Due to the inception dates of these funds, longer term performance is not available.*

Charges and transaction costs

The Trustee is required to report on charges and transaction costs for the investment options available in the Scheme, including the default arrangements, the Lifecycle options, the underlying funds to those options, and the Freecycle funds, and their assessment of the extent to which the charges and transaction costs represent good value for members.

The Total Member Charge, or Total Expense Ratio (TER), is a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of management fees and additional variable expenses that the investment manager incurs in operating the fund, such as fees to auditors, custodians and accountants and other operational expenses. It does not include costs incurred when the fund is traded. These costs are called Transaction Costs and cover those costs that the fund manager incurs as a result of the trading necessary to manage the investments within the Scheme. This can incorporate a range of costs including broker fees, transaction taxes, custody fees and implicit costs of executing transactions.

The following table provides information on the member-borne charges for all investment options available in the Scheme. Charges and transaction costs are as at, and for the year to, 31 December 2022.

Fund	Total Member Charge (% p.a.)	Transaction Costs (%)
GSK Lifecycle Pension Option (Legacy Default)		
5+ years to retirement	0.2820	0.3651
4 years to retirement	0.2356	0.3326
3 years to retirement	0.1892	0.3001
2 years to retirement	0.1454	0.2560
1 year to retirement	0.1016	0.2119
0 years to retirement	0.0581	0.1663
GSK Lifecycle (Pre 2014) Option (Legacy Default)		
10+ years to retirement	0.0773	0.1037
9 years to retirement	0.0754	0.1100
8 years to retirement	0.0735	0.1162
7 years to retirement	0.0715	0.1225
6 years to retirement	0.0696	0.1287
5 years to retirement	0.0677	0.1350
4 years to retirement	0.0658	0.1413
3 years to retirement	0.0639	0.1475
2 years to retirement	0.0620	0.1538
1 year to retirement	0.0600	0.1600
0 years to retirement	0.0581	0.1663
GSK Lifecycle Drawdown Option (Current Default)		
5+ years to retirement	0.2820	0.3651
4 years to retirement	0.2825	0.3212
3 years to retirement	0.2829	0.2772
2 years to retirement	0.2664	0.2258
1 year to retirement	0.2515	0.1753
0 years to retirement	0.2338	0.1234
GSK Lifecycle Cash Option		
5+ years to retirement	0.2820	0.3651
4 years to retirement	0.2421	0.3036
3 years to retirement	0.2022	0.2420
2 years to retirement	0.1623	0.1805
1 year to retirement	0.1224	0.1189
0 years to retirement	0.0825	0.0574

Fund	Total Member Charge (% p.a.)	Transaction Costs (%)
GSK UK Equity Index Fund	0.0225	0.0376
GSK Inflation Linked Pre-Retirement Fund	0.0500	0.2026
GSK Cash Fund	0.0825	0.0574
GSK Lifecycle Fund	0.2820	0.3651
GSK Diversified Growth Fund	0.6673	0.8513
GSK Overseas Equity Index Fund	0.0800	0.1026
GSK Global Equity Index Fund	0.0773	0.1037
GSK Shariah Fund	0.3200	-0.0157
GSK Retirement Income Fund	0.2842	0.1454
GSK Global Sustainable Equity Fund	0.0880	0.0939
Zurich With-Profits Unit-linked Series 1*	0.5000	0.0800
Zurich With-Profits Unit-linked Series 4*	0.8100	0.0600

Source: L&G and Zurich. A positive value represents a reduction in performance as a result of the fees. A negative transaction cost represents a gain from trading over the year, but we would not anticipate this gain to be repeated on average.

**Data is to 30/09/22*

The Trustee is unable to form a complete assessment of the value for money in relation to the transaction costs incurred. This is due to the lack of available industry data for comparison. The Trustee, with advice from its advisers, believes that the transaction costs incurred appear to be reasonable and in line with expectations, however the Trustee has not been able to verify this quantitatively. The Trustee will conduct an assessment of the transaction costs as soon as reasonably possible.

Where not received, the Trustee, with its advisers, is actively chasing them to release up to date information, and has requested they outline their timescales for providing this information.

Impact of charges and transaction costs

To provide members with a guide to show the impact of costs and charges for each Section, the Trustee has prepared illustrations detailing the impact of the costs and charges typically paid by a member of each Section of the Scheme on their pension pot. The statutory guidance provided has been considered when providing these examples. Where we have deviated from statutory guidance we have explained the rationale for doing so.

The illustrations below have taken into account the following elements:

- Pension pot size;
- Contributions;
- Real terms investment returns gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

Member illustrations

To illustrate the impact of charges over a member's lifetime in the Scheme, the Trustee has provided an illustration for a young member in the Scheme with information based on member demographics from the overall population of the GSK Pension Plans. The Trustee has based this on a starting age of 17, using a starting pot size of £8,500 and a salary of £36,850 which reflects the position for a typical young member. It also assumes an overall contribution level of 15% per annum; 5% contribution by the member and 10% from the company. The impact of a wide range of funds is shown in line with the statutory guidance.

Projected Pot sizes in Today's Money						
	Most popular lifestyle arrangement **(Current Lifestyle Arrangement)**: The GSK Lifecycle Drawdown Option		**Lowest Charge:** GSK UK Equity Index Fund		**Highest Charge:** GSK Diversified Growth Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£14,509	£14,437	£14,523	£14,520	£14,332	£14,165
2	£20,781	£20,604	£20,817	£20,809	£20,324	£19,920
3	£27,327	£27,008	£27,395	£27,380	£26,482	£25,764
4	£34,160	£33,659	£34,268	£34,245	£32,810	£31,700
5	£41,291	£40,566	£41,451	£41,417	£39,313	£37,729
10	£81,907	£79,310	£82,513	£82,392	£74,620	£69,322
15	£132,216	£126,124	£133,684	£133,397	£115,077	£103,471
20	£194,530	£182,687	£197,453	£196,886	£161,433	£140,382
25	£271,714	£251,031	£276,921	£275,917	£214,550	£180,277
30	£367,317	£333,608	£375,952	£374,293	£275,414	£223,400
35	£485,734	£433,384	£499,362	£496,749	£345,155	£270,011
40	£632,410	£553,940	£653,154	£649,180	£425,066	£320,392
45	£806,259	£693,614	£844,807	£838,923	£516,632	£374,847
48	£889,651	£760,557	£981,760	£974,391	£577,862	£409,612

Projected Pot sizes in Today's Money						
	GSK Lifecycle Pension Option		**GSK Lifecycle (pre-2014) Option**		**GSK Lifestyle Cash Option**	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£14,509	£14,437	£14,529	£14,510	£14,509	£14,437
2	£20,781	£20,604	£20,832	£20,786	£20,781	£20,604
3	£27,327	£27,008	£27,423	£27,340	£27,327	£27,008
4	£34,160	£33,659	£34,313	£34,182	£34,160	£33,659
5	£41,291	£40,566	£41,518	£41,328	£41,291	£40,566
10	£81,907	£79,310	£82,768	£82,079	£81,907	£79,310
15	£132,216	£126,124	£134,305	£132,667	£132,216	£126,124
20	£194,530	£182,687	£198,692	£195,465	£194,530	£182,687
25	£271,714	£251,031	£279,135	£273,421	£271,714	£251,031
30	£367,317	£333,608	£379,636	£370,194	£367,317	£333,608
35	£485,734	£433,384	£505,198	£490,325	£485,734	£433,384
40	£632,410	£553,940	£655,931	£633,581	£632,410	£553,940
45	£801,025	£690,008	£786,997	£756,951	£796,161	£685,910
48	£865,658	£744,073	£842,733	£808,756	£843,752	£725,669

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £8,500.
3. Contributions of 15% are assumed from age 17 to 65 with an annual 2.5% p.a. increase to real salary (increases above inflation).
4. Values are estimates and are not guaranteed. The members' actual experience will be different.
5. The projected growth rate for each fund (these follow return guidance provided by Willis Towers Watson) are as follows:
   A. GSK Lifecycle Drawdown Option: the underlying funds have a range of 2.14% p.a. to 4.37% p.a. gross expected real return (relative to inflation).
   B. GSK Diversified Growth Fund (Most Expensive Fund): 2.76% p.a. gross expected real return (relative to inflation).
   C. GSK UK Equity Fund (Least Expensive Fund): 4.50% p.a. gross expected real return (relative to inflation).
   D. GSK Lifecycle Pension Option: the underlying funds have a range of 1.29% p.a. to 4.37% p.a. gross expected real return (relative to inflation).
   E. GSK Lifecycle (pre-2014) Option: the underlying funds have a range of 1.29% p.a. to 4.55% p.a. gross expected real return (relative to inflation).
   F. GSK Lifecycle Cash Option: the underlying funds have a range of 0.50% p.a. to 4.37% p.a. gross expected real return (relative to inflation).
6. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/18, 31/12/19, 31/12/20, 31/12/21 and 31/12/22. Five year average costs have been used; where these were negative these have been reflected as zero as negative costs are not assumed to

persist over longer time frames.

In accordance with the published guidance, the Trustee has considered whether to present the above information showing different starting points, recognising the majority of members are older than the youngest member, which this illustration is based upon. The Trustee concluded that, as the Section has a very diverse membership with different profiles of pay and pay progression, it would be potentially distracting from the key messages by providing the data on many different bases.

As per the guidance, the Trustee has also given consideration as to whether showing the illustration based on the data for a younger member is correct and whether it distorts the effect of charges. The guidance considers this could be the case if older members would ordinarily be invested in investment choices with higher costs than a younger member (therefore masking the true impact of charges). The Trustee believes that, as the default option is currently the same for all existing members, regardless of age, the charges would not increase with the age of the member and therefore the illustration provided would not be skewed by using the data for a younger member.

The charges do however change depending on where a member is on the de-risking glidepath, but this is dependent on member age, and time to Target Retirement Age, and is consistent for all members.

Value for Members assessment

The Trustee regularly examines ways of providing better value for members. Underpinning the Trustee's assessment of value is the belief that value is about using the resources at its disposal effectively to help members achieve a good outcome for retirement. Also, while some measures of value should be scrutinised carefully over the short-term (for example, the performance of the Scheme's administrator), the Trustee believes that others, such as the suitability and performance of investment funds, span several years. Additionally, some components of member value can be assessed quantitatively, but those that impact on members' experience of the fund and its services often require a more qualitative assessment.

The annual Value for Members assessment for the Scheme year ended 31 December 2022 was completed in May 2023.

This assessment by the Trustee looked at the member-borne deductions within the Scheme, with advice from their advisers. This assessment considered the funds offered to members in terms of:

- Charges and available transaction costs;
- Net of charges performance relative to benchmarks and targets/objectives;
- Fund range available to members; and
- Research views from the Trustee's investment adviser on the investment managers and platform provider.

Within the AVC funds there are some legacy with-profits policies. A Value for Members assessment of these with-profits policies is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that a with-profits fund provides guarantees; whether that is a guaranteed pension, investment return or capital security. A general conclusion on the value for members regarding these funds has therefore not been formed, as this is a qualitative and member-specific judgement. It is difficult to provide a comparison between with- profits policies due to the differences in available guarantees, surrender policies and implicit and explicit fees.

The Trustee concluded that the Scheme's overall range of investment options represent good value for members with respect to the member-borne charges and transaction costs for those options. The reasons underpinning this conclusion include:

- Charges for the default investment arrangements (as well as self-select Lifecycle strategies) are significantly below the charge cap of 0.75% per annum;

- The fees for all the funds compare favourably to the fees typically borne by pension scheme members of other similar large pension schemes; and
- Long term performance figures are within expectations for the majority of the funds, and the majority of underlying funds are researched and highly regarded by the Trustee's investment adviser.

As a result, we believe that, overall, the Scheme delivers good value for members in respect of member-borne deductions. Furthermore, additional services such as Scheme administration, Trustee governance, adviser fees and additional communications are paid for by the Trustee, and met by the DB Section of the Scheme, therefore not borne by the members.

Trustee Knowledge and Understanding

The Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 13. The comments in this section relate to the Trustee as a body in dealing with the whole Scheme and is not restricted to the DC Sections.

During the year, the Trustee Directors regularly discussed their training needs at their meetings, having regard to the statutory requirements to have knowledge and understanding of pensions and trust law and the principles relating to the funding and investment of occupational pension schemes, and to be conversant with the Scheme's Trust Deed and Rules, Statement of Investment Principles and other relevant documents. In addition, the Trustee Board includes Professional Trustees that are appointed by the Company to assist in the governance of the Scheme.

Over the last year, the Trustees have received training on key trustee duties, governance structure and responsible investment, good member outcomes, history of the Scheme, Board and sub-committee structure and balance of powers between the Trustee and the Company under the Trust Deed and Rules.

The Trustee Knowledge and Understanding requirement has been met for all Trustee Directors during the Scheme year as set out below.

The Trustee Directors have undertaken ongoing training, as a group, to keep abreast of relevant developments at the quarterly Trustee and committee meetings, and at an annual Trustee training day. This enables the Trustee Directors to keep up to date with the law regarding pensions and trusts and the principles relating to the funding and investment of occupational pension schemes and review any relevant Trustee policies relevant to the training areas.

Below is a list of the training subjects covered by the Trustee Board and its Committees.

Date	Training subject	Undertaken by
15 February 2022	Fulcrum training, covering Fulcrum's strategy, the investment process, current portfolio, risk management, responsible investing and macroeconomic outlook.	Joint DC Committee (JDCC)
17 February 2022	Trustee discretion training, covering what discretions are, examples, how to exercise discretions and Ombudsman cases. Pension scams training, covering historic transfers-out framework, Trustee's position and restrictions in their powers, pensions liberation and scams, the Pension Schemes Act 2021, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.	Joint Audit, Risk & Operations Committee (JAROC)
8 March 2022; 10 March 2022	Cyber security training, covering how it impacts schemes, common pitfalls when dealing with cyber risk and an overview of Trustee duties.	BSQ Main Board; SB Main Board
17 May 2022	Good member outcomes training, covering what it means, the PLSA Retirement Living Standards, contribution levels and investment strategy.	Joint DC Committee (JDCC)
19 May 2022	GMP reconciliation and rectification refresher training, understanding they key decisions that need to be made.	Joint Audit, Risk & Operations Committee (JAROC)
7 June 2022; 9 June 2022	Investment and actuarial valuation training, covering discount rate structure, key investment model inputs and best estimate returns.	Joint Investment Committee; SB Main Board
25 August 2022	Prevention of fraud training, covering types of pension fraud, case studies and POCA 2002/money laundering regulations.	Joint Audit, Risk & Operations Committee (JAROC)
6 September 2022; 8 September 2022	Liability hedging training, covering the effect of interest rates and inflation on liabilities, the financial risk to Plans and how the risk can be mitigated.	BSQ Main Board; SB Main Board
8 September 2022	Legal training, covering the position of SLP on a future takeover, the balance of powers in the Trust Deed and Rules, Trustee whistleblowing and legal/regulatory updates.	SB Main Board
19 October 2022	Joint Investment Committee strategy day training, covering an overview of recent market developments and how Plans have responded, a request to approve granting the Joint Investment Committee additional flexibility on hedge ratios and an overview of the strategy day discussions. Communication strategy training, covering engagement, behavioural psychology and tone of	Trustee Training Day

	voice. The Pensions Regulator update training, covering its current areas of focus, upcoming developments, The Pension Schemes Act 2021, how tPR will regulate scheme funding going forward, revisions to covenant guidance and tPR's equality, diversity and inclusion strategy. DC market practice training, covering how to maximise growth for young members, when members should start de-risking, how to engage members and future developments. Highly effective Boards training, covering the characteristics of high performing Boards, an overview of tPR's standards and a model for effective teams.	
16 November 2022	Multi-asset credit training, covering what it is and how the different elements might operate.	Joint Investment Committee
6 December 2022; 8 December 2022	Currency hedging training, covering why to hedge currency, how it works and which assets the Plans hedge currency for.	BSQ Main Board; SB Main Board
8 December 2022	Buy-in training, covering what it is, regulatory background, impact on members, market overview and preparatory activity.	SB Main Board

The Trustee Directors each maintain an individual training log and have a process of continual self-assessment of their training needs. Any training needs identified by individual Trustee Directors are recorded in the minutes and training is arranged, where appropriate.

The Trustee Directors understand the need to be conversant with the Trust Deed and Rules and, during the year, received training from the legal advisers on certain aspects to broaden their working knowledge of the documents.

The Trustee Directors also reviewed the Statement of Investment Principles and were guided through the document by their investment advisers to ensure they understood and could demonstrate a good working knowledge before approving it.

The Trustee Directors considered and applied their knowledge of the Trust Deed and Rules, Statement of Investment Principles and relevant Trustee policies where relevant to Trustee decisions during the year. The Trustee therefore believes they are compliant with the requirement to be conversant with the SIP and Trust Deed and Rules.

The Trustee has put in place arrangements for ensuring that Trustee Directors take personal responsibility for keeping themselves up to date with relevant developments and carry out a self-assessment of training needs.

The Secretary to the Trustee reviewed the self-assessments which were carried out in Q4 2022, and arranged for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate.

This assessment identified knowledge gaps which could be addressed by receiving additional technical training during meetings, on both DB and DC matters, continued regular legal updates and understanding how legislation has evolved over time. Training on these topics will be addressed during 2023 at quarterly Trustee meetings and at the 2023 annual Trustee training day.

In addition, the Trustee Directors receive advice from professional advisers, and have a robust process in place for assessing the adviser's skills and experience to be able to provide them with the advice that is required to enable them to exercise their duties effectively.

All Trustee Directors, including the new Trustee Directors appointed in the year, have completed the Trustee toolkit provided by The Pensions Regulator. The Trustee toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and is intended to help meet the minimum level of knowledge and understanding required. There is a requirement for new Trustee Directors to complete the toolkit within six months of being appointed.

In Q4 2022, the Trustee Directors completed an annual self-assessment (via questionnaires) of how effective they think the Trustee Board is collectively of fulfilling its duties, and how effective it is at working with its committees. Feedback from this was used to identify potential improvements in Scheme governance.

The key areas identified from this assessment were in relation to ensuring that the work of the sub-committees was shared with the other Trustee Directors at an appropriate level, continuing the development of the approach to identify and assess emerging risks and other aspects of how the meetings operate, especially in relation to the mix of remote and face-to-face meetings. These areas are being addressed during 2023.

Taking account of actions undertaken individually and as a Trustee body, and the professional advice available to them, the Trustee considers that its combined knowledge and understanding is such that it is properly enabled to exercise its function as Trustee of the Scheme.

Conclusion

As required by the regulations, the Trustee has made this Statement available in the Trustee Annual Report and Financial Statements which is on the Trustee website at www.gskpensions.co.uk/governance which is being flagged in the annual benefit statement to members.

I confirm that the above statement has been produced by the Trustee to the best of its knowledge.

This Chair's Statement on DC Governance was approved by the Trustee and signed on its behalf by:

M Ashworth

Representing The Law Debenture Pension Trust Corporation p.l.c.

Chairman

Dated: 31 May 2023

Introduction to the Implementation Statement

This Implementation Statement has been produced in accordance with paragraph 30 of Schedule 3 of The Occupational and Personal Pension Schemes (Disclosure of Information) regulations 2013 and the associated guidance published by the Pensions Regulator.

To prepare this Implementation Statement the Trustee has reproduced a copy of the latest Statement of Investment Principles (‘SIP’), and included accompanying commentary to set out how, and the extent to which, the SIP has been followed during the year to 31 December 2022.

The detail of the Implementation Statement is included in the highlighted boxes throughout the document, following the relevant SIP sections.

The Trustee can confirm that all policies in the SIP have been followed in the Scheme Year.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2022

The information provided in the sections that follow, highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee‘s policies.

The Trustee is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to one of the following:

- **The Joint DC Committee of the GSK Schemes (“JDC”)**
  This facilitates cooperation on DC matters with other Schemes that have GSK as the principal employer. The JDC members include Trustee Directors from the Scheme and discussions are referred back to the main Trustee Board for discussion and approval.
- **The Joint Investment Committee of the GSK Schemes (“JIC”)**
  This facilitates cooperation on DB investment matters with other Schemes that have GSK as the principal employer. The JIC members include Trustee Directors from the Scheme and the main Trustee Board are kept informed of the investment decisions the JIC takes.
- **External parties such as Investment Advisers or Asset Managers**
  This facilitates professional, full time management and oversight of the Scheme’s investments.

Review of the SIP

DC Section

The latest version of the SIP was approved in September 2021. This was also reviewed in 2022, but no revisions were made.

DB Section

A revised SIP was approved in March and September 2022 with the following changes being effected:

- Updated wording on covenant risk management
- Updated wording on voting and engagement policies

DC Section commentary

Statement of Investment Principles for the Defined Contribution Section – September 2021

This Statement of Investment Principles ("SIP") covers the Defined Contribution ("DC") Section of the GSK Pension Scheme. It is set out in three parts:

1) Governance arrangements
2) Objectives and implementation of the DC Section
3) The Trustee's investment policies

The Scheme's investment arrangements with respect to the DC Section are set out in this SIP. This SIP has been prepared after obtaining written professional advice from Mercer Limited (the "Investment Adviser") which is regulated by the Financial Conduct Authority ("FCA"). The Trustee believes that the Investment Adviser meets the requirements of Section 35(5) of the Pensions Act 1995. The Trustee has also consulted with GSK (the "Principal Employer") in forming this document.

For convenience, the Scheme's SIP has been split into two documents. This document covers the Defined Contribution Section and there is a separate document covering the Defined Benefit ("DB") Section titled the *'Statement of Investment Principles for the Defined Benefit Section – September 2021'*.

The Scheme is governed by its Trust Deed and Rules, which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with the SIP. This SIP is also designed to fulfil the key objectives of the DC Code of Practice.

The Trustee believes that the Scheme's investment policies and their implementation are in keeping with best practice, including the principles underlying the Pensions Regulator's DC Code of Practice No 13.

Securing compliance with the legal requirements about choosing investments

Over the Scheme Year to 31 December 2022 there were three updates to the investment arrangements:

1. LGIM Pre-Retirement Index Linked Fund

The LGIM Pre Retirement Index Linked Fund ("the Fund") made a number of changes during Q3 2022. While there were no changes to the aim or investment objective of the Fund, LGIM implemented changes relating to the structure of the Fund, the introduction of ESG tilts and a new fund description.

As part of this change, the Trustee agreed to change the name of the GSK Pre-Retirement Index Linked Fund to the GSK Targeting Annuity Fund.

2. Consumer Healthcare transfer

From January - April 2022, the Trustee, with the help of its investment adviser, agreed to the bulk transfer of past service DC benefits for members in the Consumer Healthcare ("CH") division, from the GSK Pension Plans to LifeSight, an authorised Master Trust operated by Willis Towers Watson ("WTW").

3. Investment strategy review

Throughout 2022, the Trustee has carried out its triennial strategy review of the default investment arrangement covering the following aspects: review of Trustee investment beliefs, glidepath and portfolio construction within the lifestyle strategies (including the default strategy) and membership analysis.

The review will conclude in 2023 with any resultant changes due to be implemented in the 2023 Scheme Year.

All changes that were agreed by the Trustee during the Scheme Year were done so after obtaining written advice from Mercer.

During the Scheme Year the Trustee also reviewed and updated Mercer's Investment Consultant objectives. These objectives cover the following areas: investment strategy & monitoring, investment manager selection, implementation, ESG/climate change/stewardship, the Trustee's Chair Statement, relationships and communication strategy.

1. Governance Section

The Trustee is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint DC Committee ("JDC") or to external parties, such as investment advisers or asset managers.

When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision, as well as the Trustee's ability to effectively execute the decision. The Trustee has established the following decision-making structure.

Trustee • Set structures and processes for carrying out its role. • Determine (with assistance as required) the investment strategy. • Determine (with assistance as required) the climate change policy. • Monitor the JDC and consider proposals made by the JDC. • Select and monitor asset managers for the DC and AVC assets. • Select the DC and AVC investment options. • Select and monitor investment advisers.	**JDC** • Review all aspects of the Scheme that relate directly to the DC arrangements, including investments, risk monitoring, education and operations. • Aid in the selection and monitoring of the investment advisers and asset managers for the DC pension schemes. • Assist the Trustee with setting the asset allocation of funds. • Set structures for implementing the climate change policy and make day to day decisions relevant to the operation of the climate change policy. • Require the asset managers to operate within the terms of this statement so far as practical.
Investment Advisers • Advise on all aspects of the investment of the Scheme assets, including ESG and implementation. • Advise on this statement. • Provide required training. • Advise the Trustee on suitability of the benchmarks used. • Provide assistance to the Trustee and JDC in meeting their objectives.	**Asset Managers** • Operate within the terms of this statement and their written contracts. • Select the individual investments within their portfolios (e.g. individual stocks, bonds, derivatives, repos, etc as applicable) with regard to their suitability, including consideration of the impact on portfolio diversification.

The Trustee confirms that the governance approach outlined above in Section 1 was operated throughout the year to 31 December 2022.

2. Objectives and Implementation of the DC Section

The JDC recognises that members of the DC Section have differing investment needs, that these may change during the course of their working lives, and that they may have differing attitudes to risk. The JDC regards its primary objective as making available a range of investment funds which enable members to tailor the strategy for their assets to their own needs. The JDC believes that members should generally make their own investment decisions based on their individual circumstances. The JDC also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee make available default options to members.

The Trustee confirms that the approach outlined in Section 2 was operated throughout the year to 31 December 2022. Specific details are included through this section:

Kinds of investments to be held

The default investment option was last officially reviewed on 18 February 2020. The next triennial review is due to be completed in February 2023, and will conclude within the 3 year period required by legislation.

The investments (fund type, management style and asset allocations) used in the default strategy will be reviewed as part of this exercise. The target of the default investment arrangement will also be reviewed, taking into account the demographics of the Scheme, projected pot sizes for members, how members have been taking their benefits at retirement as well as industry data.

Any changes that come as a result of this strategy review will be captured in the 2023 Scheme Year.

2.1 Investment Objectives

In investing the assets of the Scheme in a prudent manner, the Trustee's objectives are as follows:

1. To provide an appropriate range of pooled investment funds that are intended to meet the varying investment needs and risk tolerances of members so they may satisfy the reasonable risk/return combinations appropriate for most Scheme members.
2. To select appropriate investment managers, unitised funds and/or insurance companies to manage each of the investment options.
3. To inform members about their investment options, particularly in relation to the potential risks and rewards of each option.
4. To provide an investment option to members who do not select their own investment options (and who are permitted under the Scheme’s rules to exercise such a default).
5. To monitor and take advice on the suitability of the investment options provided.
6. To take appropriate advice from the Trustee’s investment and legal advisers in order to make informed decisions.
7. To act in the interests of the membership of the Scheme as a whole.

2.2 Investment Strategy

The JDC is responsible for reviewing all aspects of the Scheme that relate directly to the DC arrangements, including investments, risk monitoring, education and operations. Following such review, the JDC may take action for the efficient and effective operation of the DC arrangements, although ultimately it has no power, except where this has been delegated by the Trustee from time to time.

The DC Section’s investment objectives are implemented using a range of investment options including equity, diversified growth, bond and cash funds. Both active and passive management options are offered to members, depending on asset class. The current default lifecycle strategy, the GSK Lifecycle

Drawdown Option, targets income drawdown and automatically switches members' funds from growth assets, such as global equity and diversified growth assets into assets with a lower risk and return, designed to reduce volatility whilst retaining exposure to growth assets. This lifecycle is the default investment arrangement offered to new members of the Scheme.

Two alternative lifecycles for members targeting the purchase of an inflation-linked annuity at retirement, GSK Lifecycle Pension Option, and cash lump sums at retirement, GSK Lifestyle Cash Option are also available.

The GSK Lifecycle Pension Option and the GSK Lifecycle (pre-2014) Options are legacy default investment options.

Kinds of investments to be held (*continued*)

The details of the types of investment referenced in the SIP are consistent with the fund range offered to members. The strategy remains consistent with this policy in the SIP.

The Trustee aims to make available a range of options which satisfy the needs of the majority of members and in doing so attempt to find an appropriate balance in the range and kind of investments offered to members to offer flexibility and choice, as well as simplicity and cost control.

The structures of all of the lifecycle options were chosen so as to try to deliver high levels of investment returns in the long term while providing some protection against changes in the amount of members' benefits as they approach retirement.

It is the Trustee's policy to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers.

The balance between different kinds of investments

The JDC reviewed the Investment Beliefs of the Scheme in May 2022 following on from the climate reporting process.

The investments used as part of the default investment option are reviewed on a triennial basis. The last formal review is due to be completed during February 2023. This includes agreeing to update the strategic asset allocation to ensure it remains appropriate given the objectives of the default strategy. As mentioned previously, any changes agreed are due to be implemented during 2023.

The JDC, on behalf of the Trustee, monitors and considers the performance of investments on a regular basis through the consideration of the quarterly investment performance report, which details the risk and return of options within the Scheme.

The Trustee hosts factsheets for each of the funds available to members on the Legal & General ("L&G") platform and publishes an annual summary performance report for members. This is to ensure that members are provided with suitable information by which to make decisions.

The Trustee periodically reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as appropriate. Day-to-day management of the assets is delegated to professional investment managers via an investment platform.

Benefits in the DC Section are determined by the value of members' individual accounts at retirement. A member's retirement benefits depend on:

- the level of contributions made by the member or made on the member's behalf, including prior transfer values from other arrangements (if applicable);
- investment returns achieved (net of fees); and

- where applicable, annuity terms prevailing at the time of the member's retirement.

The Trustee has a reasonable expectation that the long-term return on the investment options that invest predominantly in equities should exceed price inflation and general salary growth. The long-term expected return on diversified growth assets is to achieve equity-like returns, with less volatility than equities. The long-term returns on the bond and cash options are expected to be lower than those on the predominantly equity options. However, bond funds are expected to help reduce volatility in relation to the price of annuities giving some protection in the amount of secured pension for members closer to retirement.

Clearly the bonds themselves will not provide a hedge against changes in the demographic assumptions insurers use to price annuity contracts. Cash funds are expected to provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

Expected return on investments

The Trustee monitors the performance of the funds against their stated objectives and benchmarks. This takes place on a quarterly basis. The performance report also highlights any changes to the Investment Adviser's manager research rating.

The selection of the underlying Asset Managers is the responsibility of the Trustee.

Within the performance report, the performance of the Lifecycle Fund is reviewed against long-term absolute return targets and relative to equity volatility. The performance report also compares the Fund against an inflation comparator.

The de-risking phases of the Lifecycle options are reviewed against their relative target outcomes as a means of assessing their performance relative to members' buying power of their chosen retirement target.

The JDC will meet with any fund manager that is struggling to meet its investment objectives, and review whether continued investment is appropriate. No mandates were removed during the Scheme Year.

2.3 Risk Measurement and Management

The Trustee regards "risk" as the likelihood of failing to achieve the objectives and policies detailed above and seeks to minimise these risks, in so far as is possible. The Trustee recognises the key risk is that members will have insufficient savings for retirement or savings that do not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out in this section.

The Trustee has considered risk from a number of perspectives in relation to the DC Section, including the default options. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material in formulating the policy regarding both the default investment options and alternative offerings to members.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that returns over members' working lives do not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	

Type of Risk	Risk	Description	How is the risk monitored and managed?
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Members are able to set their own investment allocations, in line with their risk tolerances. During the growth phase of the default options, members are invested in an allocation which is expected to grow their pension savings in excess of inflation. Within active funds, management of many of these market risks is delegated to the asset manager(s). The JDC considers fund performance, including that of the default investment options, on a quarterly basis.
	Equity, property and other price risk	The risk that market movements lead to a substantial reduction in the value of a member's savings.	
	Capital	The risk that the monetary value of a member's account falls.	The Trustee's objective is to provide investment options where the asset value is unlikely to fall except in abnormal market conditions. A Money Market fund is an example of such an option that is offered to members.
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds via an insurance policy with Legal and General. Asset managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.
Asset Manager risk		The risk that the appointed asset managers do not meet their fund performance objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustee considers fund returns relative to the benchmark. This is monitored on a quarterly basis. The Trustee considers the Investment Adviser's rating of the investment managers on an ongoing basis, monitors the Scheme's active funds against a robust framework.

Type of Risk	Risk	Description	How is the risk monitored and managed?
	Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available lifestyle strategies for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives.
	Environmental, Social and Corporate Governance ("ESG") risk	The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of this risk has been considered and asset managers are expected to integrate this into their processes. The Trustee reviews the asset managers' policies and actions in relation to this from time to time. The Trustee policy on Responsible Investment and Corporate Governance is set out in Section 3.1.
	Operational risk	The risk of fraud, ineffective governance structure, poor advice or acts of negligence in the operation of the Scheme.	The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. The Trustee reviews the Scheme risk dashboard on a quarterly basis to ensure risks are identified and adequate controls are in place to ensure the effective running of the Scheme including areas such as the effectiveness of the committee, communications and adequate provisions in place with service providers as well as a number of the other risks previously listed.

Risks, including the ways in which risks are to be measured and managed

As detailed in the risk table above, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation and the choice of fund managers, funds and asset classes.

The Trustee provides a range of investment options (including three lifestyle strategies) which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances. In member-facing communications the Trustee highlights a number of risks that a member may face as a result of investing in any particular fund.

ESG risk was also managed throughout the year, with considerations given to the climate-related disclosures as requested by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations. During the Scheme Year, the 2022 TCFD Report was published, and work is underway on the 2023 TCFD Report.

The Trustee also reviews the quarterly investment reports, which monitor the volatility of the investment strategy. The risk associated with Russia/Ukraine and China/Taiwan exposures was monitored over the year. Due to the sell-off in equity and bonds during the year, the Trustee agreed to introduce additional monitoring within the performance report to highlight the impact of performance on the savings of example “strawperson” members at different time horizons from retirement.

The Scheme operates a risk management framework and as part of this framework the Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The Scheme’s approach to risk was reviewed during the year, with enhanced risk management information, integrated risk reporting, an updated risk register and associated monitoring plans expected to be considered in more detail during early 2023.

The Trustee considers these risks to be applicable across the lifetime of a member’s time within the DC Section of the Scheme.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. Some aspects of the risks may be modelled explicitly.

In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the asset managers that may impact their ability to meet the performance targets set by the Trustee.

The Trustee has established a risk register and monitors risks in accordance with this.

3. The Trustee’s Investment Policies

3.1 General Investment Policy (including ESG and Stewardship)

The Trustee and the JDC expect the underlying asset managers to manage the assets under the terms of their respective contracts. In addition, asset managers pay commissions to third parties on many trades they undertake in the management of the assets.

For the DC section, the majority of the fund range offered to members is accessed through a platform provided by Legal & General Assurance (Pensions Management) Limited (“L&G”). The Trustee accesses the platform via a long-term insurance contract with L&G. L&G operates within the terms of this Statement and the written contract. The Trustee reviews the liquidity of the funds offered to members to ensure that assets are readily realisable.

The Trustee considers sustainable investment to be the integration of environmental, social and governance factors into investment decisions. The Trustee believes that environmental, social and governance (‘ESG’) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests directly or indirectly. The Trustee believes that the integration of ESG factors within asset managers' investment processes may have the ability to have a positive impact on the risk and the sustainable long-term expected returns from the Scheme's investments.

Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments

The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific to ESG requirements) from the Investment Adviser. All of the managers remained highly rated during the year. The Trustee monitors long-term performance and ESG ratings for current investment managers and considers this information when selecting new investment managers.

The Trustee and JDC have spent time over the course of the year reviewing policies with regards to ESG, such as the Trustee's investment beliefs and climate-related risk governance policy. An assessment was undertaken during November 2022 which considered the Scheme's carbon metrics, as well as progress over the 12 months.

The Trustee continues to monitor and engage with managers as part of regular update meetings held with them to discuss performance and their approach to ESG integration. Over the Scheme Year, Fulcrum presented to the Trustee in February 2022. The Trustee and its investment advisor were satisfied with the presentation.

The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The exercise of the rights (including voting rights) attaching to the investments

The Trustee delegates the exercise of voting rights associated with investments to the underlying Asset Managers, and review this annually.

The following funds contain an allocation to equities:

- LGIM - UK Equity Index
- LGIM – Future World UK Equity Index
- LGIM - World (ex-UK) Developed Equity Index
- LGIM - Future World Developed (ex UK) Equity Index Fund
- LGIM - World (ex-UK) Developed Equity Index (Currency Hedged)
- LGIM - Future World Developed (ex UK) Equity Index Fund – GBP Hedged
- LGIM - World Emerging Markets Equity Index
- LGIM - Future World Emerging Markets Equity Index Fund
- LGIM – Global Developed Small Cap Index Fund
- LGIM - Diversified Return
- Nordea - Diversified Return
- Fulcrum – Diversified Absolute Return
- Man Group – Alternative Style Risk Premia

- HSBC – Islamic Global Equity

The voting records of the Asset Managers are summarised in Appendix A.

Particular focus is placed on LGIM as they hold the most significant equity mandates in the Scheme. The examples shown in Appendix B demonstrate examples of significant votes cast by the Scheme's Asset Managers where voting rights have been used to influence change with regard to ESG-related issues.

The Trustee has also considered which areas would constitute 'significant' when it comes to company engagement by their fund managers. More information regarding this is included with the voting activity in the Appendix.

Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)

The Trustee wishes to encourage best practice in terms of corporate activism. It therefore encourages its Asset Managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.

Where the Scheme invests in pooled funds, the Trustee requires its Asset Managers to engage with the investee companies on the Trustee's behalf.

All managers of funds within the DC Section of the Scheme are signatories of the UK Stewardship Code 2020 (i.e. LGIM, Fulcrum, Nordea, Man Group and HSBC).

Most recently, the JDC reviewed the carbon metrics and the voting activity of their funds at the November 2022 JDC meeting.

The Trustee regularly meets with their Asset Managers and may challenge managers about relevant matters. The Trustee is looking to enhance its reporting on manager engagement going forward.

The Trustee does not wish to interfere with the day-to-day investment decisions of its investment managers. The Trustee reviews the compliance of managers against the UK Stewardship Code on an annual basis and engages with managers who are not aligned with best practice standards.

3.1.1 - Climate change

The Trustee has set out its policy relating to the governance of climate related risks in a separate document, the TCFD Report. The Trustee plans to include its climate change targets and portfolio metrics in the TCFD Report from 2022.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy. The Trustee reviews regularly the voting strategy of its investment managers.

3.1.2 - *Arrangements with Asset Managers - Policy*

The Trustee believes that an understanding of, and engagement with, asset managers' arrangements is required to ensure they are aligned with the Trustee's policy, including its Sustainable Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored:

- How asset manager arrangements incentivise asset managers to align their strategy and decisions with the Trustee's policies

How the arrangement with the Asset Manager incentivises the Asset Manager to align its investment strategy and decisions with the Trustee's policies

The section below, titled "Arrangements with Asset Managers – Implementation" provides further information on the implementation of these policies.

The Trustee will review an appointment if the investment objective for an underlying manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Over the year no mandates were terminated due to performance concerns or as a result of changes in underlying targets.

Previously the Trustee has terminated appointments where the managers were not meeting long-term performance targets.

The JDC, on behalf of the Trustee, met with Fulcrum in February 2022 to discuss recent performance and remain comfortable with their appointment as a diversifier.

The JDC, on behalf of the Trustee, also met with the Chair of a similar sized DC pension scheme in May 2022 to understand what other pensions schemes are discussing on the following topics: DC market trends, default strategy construction and de-risking stages, ESG and its role in DC pensions.

- How asset manager arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

How the arrangement incentivises the Asset Manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The section below, titled "Arrangements with Asset Managers – Implementation" provides further information on the implementation of these policies.

At fund manager monitoring meetings, the JDC asks Asset Managers to incorporate a section on investment decisions taken over the recent period and their forward-looking assessment of market conditions.

This is also covers examples of financial and non-financial considerations around investments where the managers are expected to take into account the impact of these considerations into the forward-looking assessment on the performance of an issuer of debt or equity.

No further action was taken by the JDC or Trustee over the period covered by this statement.

- How the method (and time horizon) of the evaluation of asset managers' performance and their remuneration are in line with the Trustee's policies;

How the method (and time horizon) of the evaluation of the Asset Manager's performance and the remuneration for asset management services are in line with the Trustee's policies

The section below, titled "Arrangements with Asset Managers – Implementation" provides further information on the implementation of these policies. At fund manager monitoring meetings, the JDC asks Asset Managers to incorporate a section on how ESG issues are integrated into their strategies in presentations when updates are provided, or when managers are appointed. This can include a section on voting, engagement and the methods in which ESG is integrated.

If the JDC is not satisfied with the progress that managers have made then further action or information would be sought from managers. If no further progress was to be made, the JDC and the Trustee would consider whether retaining the mandate is appropriate.

The Trustee has successfully challenged managers to increase their disclosure following the outcome of Stewardship Code assessments, which has led to positive results in prior years.

From the information delivered over the year, the JDC was satisfied with the progress of the managers in relation to ESG and no further action was taken over the period covered by this statement.

Over the year to 31 December 2022, the Trustee reviewed the performance of the Scheme's investment managers on a quarterly basis. The review considers the performance of the fund against its stated aims, objectives and policies. The Trustee's focus is on long term performance but they may review an underlying investment manager's appointment under certain circumstances. The Trustee reviews the investment manager fees as part of the annual Value for Members assessment.

- Portfolio turnover costs incurred by the asset managers, in the context of the asset manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold);

How the Trustee monitors portfolio turnover costs incurred by the Asset Manager, and how it defines and monitors targeted portfolio turnover or turnover range

The section below, titled "Arrangements with Asset Managers – Implementation" provides further information on the implementation of these policies.

The Trustee considers the level of transaction costs as part of its annual Value for Members assessment, last carried out as at 31 December 2022 and by publishing this information as part of the costs and charges disclosures mandated by regulations governing the Chair's Statement.

As the Scheme invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, it will engage with an underlying investment manager if portfolio turnover is higher than expected.

- Duration of the arrangement with the asset manager

The duration of the arrangement with the Asset Manager

The section below, titled "Arrangements with Asset Managers – Implementation" provides further information on the implementation of these policies.

There were no terminations over this year of arrangements within the main DC Section of the Scheme. The JDC continues to monitor the performance of the managers against their appointed mandates to ensure that they remain appropriate as part of the Lifecycle or Freecycle range.

The focus of performance assessments is based on longer term outcomes so the Trustee would not ordinarily expect to terminate an underlying manager based purely on short term performance.

3.1.3 - Arrangements with Asset Managers – Implementation

The Trustee through delegation to the JDC considers their investment adviser's assessment of how each asset manager embeds ESG into its investment process and how the asset manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes consideration of the underlying asset managers' policy on voting and engagement and compliance with the Stewardship Code.

The Trustee will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of asset manager appointments.

The underlying asset managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Whilst the Trustee notes that their ability to influence decision making within pooled fund structures is limited, the underlying asset managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. As such, the Trustee believes this creates alignment between the asset managers and themselves. Consequently, if the Trustee is dissatisfied, then they will look to replace the manager. If the investment objective for a particular asset manager's fund changes, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The JDC meets with underlying asset managers annually and receives updates from the managers on their ESG policies and engagement activity. Where needed the JDC, on behalf of the Trustee, will challenge managers on their policies and instances where managers may not be aligned with best practices within the industry. This action is taken try to ensure continuing improvement over the medium to long term in the performance of assets from both a financial and non-financial perspective.

The JDC receives and considers performance reports from their investment advisers on a

quarterly basis, which present performance information for the funds over three months, one year, three years, five years, and since inception. The JDC reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net-of-fees basis. Whilst the JDC and the Trustee's focus is on long-term performance, they also take shorter-term performance into account.

If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change the manager where required. As managers are remunerated based on the level of assets managed, there is a direct interest for asset managers to perform in line with objectives in order to retain mandates and continue to receive compensation on an ongoing basis.

The Trustee does not currently define target portfolio turnover ranges for asset managers, particularly as the Trustee uses pooled funds, however, the JDC will engage with an asset manager, on behalf of the Trustee, if portfolio turnover is higher than expected. The JDC considers portfolio turnover costs indirectly through consideration of trading costs incurred throughout the year for a fund, provided within transaction cost data the Trustee receives annually, and is considered as part of the annual value for members assessment.

All the funds used within the DC Section are open-ended, with no set end date for the arrangements. The Default Lifecycle Strategy, alternative lifecycle strategies and the freecycle fund range are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered to be optimal, nor have a place in the lifecycle strategies or freecycle fund range.

The policies detailed in this section apply across the range of investment options made available to members including the default investment arrangement, legacy default investment arrangements, the alternative GSK Lifecycle options and the self-select GSK investment fund range.

The Trustee confirms that the investment policies outlined in Section 3 were followed throughout the year to 31 December 2022.

The Trustee did not seek member views in forming their initial approach around ESG, stewardship, climate change and non-financial matters within the Scheme's investments. Since adopting their current approach, the Trustee has sought member views and will continue to seek these views from time to time and will use these to inform decisions regarding the development of the Trustee's policy in the future. The Trustee will continue to review this policy regularly to ensure that the policy is appropriate for the Scheme's membership.

The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments

There were no non-financial matters directly considered during the reporting period.

Assets are mainly invested on regulated markets. Some funds may have exposure to securities not on regulated markets. The Trustee expects that asset managers will monitor these and keep these to prudent levels.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

The Trustee has appointed investment advisers. The advisers operate under agreements to provide services which ensures the Trustee and JDC are fully briefed to take decisions themselves and to monitor those they delegate.

The members can invest in a range of fund options. It is the Trustee's policy to consider:

- The risks and rewards of a range of different asset allocation strategies.
- The suitability of each asset class in the lifecycle strategies.
- The suitability of the possible styles of investment management and the option of manager diversification for members.
- The need for appropriate diversification both across asset classes and within asset classes.
- The liquidity of the funds offered to members to ensure that assets are readily realisable.

Realisation of Investments

The Trustee receives an administration report on a quarterly basis to ensure that core financial transactions are processed within service level agreements (SLAs) and regulatory timelines.

All funds are daily dealt pooled investment vehicles, accessed by an insurance contract. This ensures the assets are readily realisable.

3.2. Policy in Relation to the Default Investment Option

3.2.1 The Scheme's Default Options

The GSK Lifecycle Drawdown Option is the current default investment option for the Scheme as this is the investment option that members' contributions are directed to if they do not make an investment decision. Over the years prior to retirement, the current default investment option de-risks to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement.

In addition, the Scheme has two legacy default funds where some members' accrued funds and contributions were previously automatically directed. These are the GSK Lifecycle (pre-2014) Option and the GSK Lifecycle Pension Option. The current default investment option is a default arrangement for the purposes of auto-enrolment.

Some members will actively choose the current default investment option because they feel it is the most appropriate for them. However, the vast majority of members are invested in the current default investment option as they have not made an active investment decision.

Until June 2014, the default investment option was the GSK Lifecycle (pre-2014) Option a legacy default investment option. When the GSK Lifecycle Pension Option was implemented as the default investment option for the Scheme in June 2014, members with 10 years or more to their selected retirement date were moved to the GSK Lifecycle Pension Option. Members with less than 10 years until their selected retirement date (as at 1 June 2014) continue to be invested in the GSK Lifecycle (pre-2014) Option legacy default investment option, unless they have made an alternative investment choice.

The GSK Lifecycle Drawdown Option was implemented as the default investment option in July 2021. At that time, members with more than three years to their selected retirement date (as at 1 July 2021) and who were invested in the GSK Lifecycle Pension Option were moved to the GSK Lifecycle Drawdown Option. Members at that time with three years or less to their selected retirement date (as at 1 July 2021) and invested in the GSK Lifecycle Pension Option continue to be invested in the GSK Lifecycle Pension Option, unless they have made an alternative investment choice.

The current default investment option (the GSK Lifecycle Drawdown Option) comprises the GSK Lifecycle Fund (65% GSK Global Equity Index Fund and 35% GSK Diversified Growth Fund) until the member is 5 years from their normal retirement date or their selected retirement date, in order to build up their account. This is known as the "growth phase".

During the 5 years up to this date, the member's account will gradually be switched to the GSK Retirement Income and GSK Cash Funds (according to the table below), in order to prepare the member for income drawdown. This is known as the "pre-retirement phase".

Years to Retirement Date	**GSK Lifecycle Fund**	**GSK Retirement Income Fund**	**GSK Cash Fund**
5+	100%	0%	0%
4	80%	20%	0%
3	60%	40%	0%
2	40%	52%	8%
1	20%	64%	16%
0	0%	75%	25%

3.2.2 Legacy Default Options

The GSK Lifecycle Pension Option (a legacy default option) comprises the GSK Lifecycle Fund until the member is 5 years from their normal retirement date or their selected retirement date, in order to build up their account. This is known as the "growth phase".

During the 5 years up to this date, the member's account will gradually be switched to the GSK Inflation Linked Pre-Retirement and GSK Cash Funds (according to the table below), in order to protect the value of their account. This is known as the "pre-retirement phase".

Years to Retirement Date	**GSK Lifecycle Fund**	**GSK Inflation Linked Pre-Retirement Fund**	**GSK Cash Fund**
5+	100%	0%	0%
4	80%	20%	0%
3	60%	40%	0%
2	40%	52%	8%
1	20%	64%	16%
0	0%	75%	25%

The GSK Lifecycle (pre-2014) Option (a legacy default option) comprises of 100% GSK Global Equity Index Fund until the member is 10 years from their normal retirement date or their selected retirement date, in order to build up their account. This is known as the "growth phase".

During the 10 years up to this date, the member's account will gradually be switched to the GSK Inflation Linked Pre-Retirement and GSK Cash Funds (according to the table below), in order to protect the value of their account. This is known as the "pre-retirement phase".

Years to Retirement Date	**GSK Global Equity Index Fund**	**GSK Inflation Linked Pre-Retirement Fund**	**GSK Cash Fund**
10+	100%	0%	0%
9	90%	7.5%	2.5%
8	80%	15%	5%
7	70%	22.5%	7.5%
6	60%	30%	10%
5	50%	37.5%	12.5%
4	40%	45%	15%
3	30%	52.5%	17.5%
2	20%	60%	20%
1	10%	67.5%	22.5%
0	0%	75%	25%

3.2.3 - The aims of the default

The aims of the current and legacy default investment options, and the ways in which the Trustee's seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  The GSK Lifecycle Drawdown Option (current default) and GSK Lifecycle Pension Option's (legacy default) growth phase invests in equities and other growth-seeking assets (through an absolute return/diversified growth fund). These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion. The growth phase of the GSK Lifecycle (pre-2014) Option (legacy default) invests in equities alone. These investments are expected to provide growth over the long term and some protection against inflation erosion. The GSK Lifecycle (pre-2014) Option (legacy default) de-risks out of equities sooner, to account for the fact that equities can be subject to downside risk.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between asset risk factors and the expected uses of retirement benefits.

  The Trustee considers the level of risk within the GSK Lifecycle Drawdown Option (current default) in the context of the need to maintain an expected risk and return suitable for income drawdown. The Trustee reduces investment risk via automated lifestyle switches over the five year period to a member's selected retirement date. Investments are switched firstly into the GSK Retirement Income Fund, which invests in a diversified mix of assets to provide an appropriate expected risk and return for income drawdown. In the years leading up to retirement, an allocation to a cash fund is introduced for capital preservation purposes, and to allow members to take a 25% pension commencement lump sum.

  The Trustee considers the level of risk within the GSK Lifecycle Pension Option (legacy default) and the GSK Lifecycle (pre-2014) Option (legacy default) in the context of the variability of returns relative to annuity prices and cash rates. The aims of the legacy default investment option are *achieved via automated lifestyle switches over the ten year period to a member's selected retirement date for the GSK Lifecycle (pre-2014) Option (legacy default) and the five year period for GSK Lifecycle Pension Option (legacy default). Investments are switched firstly into the GSK Inflation Linked Pre-Retirement Fund, which invests in a mix of UK government bonds and investment grade corporate bonds to broadly match short term changes in the price of inflation - linked annuities. In the years leading up to retirement, an allocation to a cash fund is introduced for capital preservation purposes, and to allow members to take a 25% pension commencement lump sum.*

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to take their benefits via an inflation-linked pension at retirement.

  At the member's selected retirement date, 75% of the member's assets will be invested in the GSK Retirement Income Fund and 25% in a money market fund.

The Trustee's policies in relation to the current and legacy default investment options are detailed below:

- The GSK Lifecycle Drawdown Option (current default) and GSK Lifecycle Pension Option (legacy default) manage investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. The GSK Lifecycle (pre-2014) Option (legacy default), manages investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default options, the Trustee has explicitly considered the trade-off between risk and expected returns. In particular, when reviewing the investment strategy of the default investment options, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment options. For the legacy default investment options, the Trustee also carefully considered the risk of moving members' assets into the current default investment option and viewed it not to be in the best interests of those members.

- Assets in the current and legacy default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee considered high-level profiling analysis of the Scheme's membership in order to inform decisions regarding the current and legacy default investment options. Based on this understanding of the membership, the current default investment option target of income drawdown at retirement is considered appropriate. Members invested in the legacy default investment options, which target the purchase of an annuity at retirement, is also considered appropriate.

- Members are supported by clear communications regarding the aims of the current and legacy default investment options and the access to alternative investment approaches. If members wish to, they can opt to choose an alternative lifecycle option or their own investment strategy on joining, but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment options; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the current and legacy default investment options are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers. The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current and legacy default investment options are appropriate and will continue to review this overtime, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Prior to mapping members' investments from the legacy default investment option to the current default investment option, the Trustee took appropriate investment advice and considered this option to be suitable for members in order to keep them in a similar type of investment arrangement as they were in previously and taking account of the demographics of the members invested in the legacy default investment option. The Total Expense Ratios ("TERs"), which is the cost associated with the managing and operating of the funds, are below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options.

The Trustee considered high level profiling analysis of the Plan's membership in order to inform decisions regarding the default investment options. Based on this understanding of the membership and investment advice, the Trustee considers that the default investment options are appropriate to ensure that assets are invested in the best interests of relevant individuals.

3.3 Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to an asset manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' DC contributions and AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the asset manager(s).

The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation) and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the asset managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The policy for the Scheme's Defined Contribution assets which are classified as direct investments are set out in this statement.

The Trustee confirms that the investment policies outlined in 3 were followed throughout the year to 31 December 2022.

4. Supplementary information to the SIP

There is further information contained in the document titled *'Statement of Investment Principles for the Defined Contribution Section - September 2021'* on the following:

- Defined Contribution (DC) Asset manager summary
- Defined Benefit and Defined Contribution Section: Additional Voluntary Contribution (AVC) Asset Manager Summary
- Fee Structures for Asset Managers and Advisers

5. Compliance with this statement

The Trustee will review this SIP at least every 3 years and as soon as practicable following a significant change in investment strategy. The Trustee will take investment advice and consult with the Employer over any changes to the SIP.

As noted earlier in this Statement, the SIP was reviewed in September 2021 to ensure it remained current with the latest legislation. The SIP is reviewed on an annual basis. No changes were made to the SIP in 2022.

DB Section commentary

Statement of Investment Principles for the Defined Benefit Section - September 2022

This Statement of Investment Principles ("SIP") covers the Defined Benefit ("DB") Section of the Scheme. It is set out in three parts:

1) Governance arrangements
2) Objectives, strategy and implementation of the DB Section
3) The Trustee's investment policies.

The Scheme's investment arrangements with respect to the DB Section are set out in this SIP. This SIP has been prepared after obtaining written professional advice from Cardano Risk Management Limited (the "Investment Adviser") which is regulated by the Financial Conduct Authority ("FCA"). The Trustee believes that the Investment Adviser meets the requirements of Section 35 (5) of the Pensions Act 1995. The Trustee has also consulted with GSK (the "Principal Employer") in forming this document.

For convenience, the Scheme's SIP has been split into two documents. This document covers the DB Section and there is a separate document covering the Defined Contribution ("DC") Section, title the '*Statement of Investment Principles for the Defined Contribution Section – August 2022'.*

The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with the SIP.

Securing compliance with the legal requirements about choosing investments

Over the Scheme year to 31 December 2022 the following major changes were made to the investment strategy:

- Three equity mandates and one Diversifier mandate were removed from the portfolio and one diversifier mandate was added;
- The overall allocation to Passive Equities was increased to replace the exposures lost via the sale of active mandates;
- The allocation to Credit was increased throughout the year via investment in a new credit manager
- The Scheme removed their strategic allocation to hedged equity as part of a broader reorganisation in the fourth quarter

On each of these changes, written advice was provided by the Scheme's Investment Adviser prior to the decision being made.

1. Governance Arrangements

The Trustee is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint Investment Committee ("JIC") or to external parties such as investment advisers or asset managers.

When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision, as well as the Trustee's ability to effectively execute the decision. The Trustee has established the following decision making structure.

Trustee	**JIC**
• Set structures and processes for carrying out its role. • Determine (with assistance from the JIC) targeted allocation strategy between return seeking and liability matching assets. • Determine (with assistance as required) the investment strategy, hedging strategy and insurance solutions. • Determine (with assistance as required) the climate change policy. • Monitor the JIC and consider proposals made by the JIC. • Review the Scheme's participation in the CIF. • Select and monitor asset managers of the AVC assets. • Select the AVC investment options. • Select and monitor investment advisers.	• Select and monitor investment advisers and asset managers for the DB pension schemes. • Assist the Trustee with setting its targeted asset allocation. • Assist the CIF in all investment related decisions in relation to the CIF's assets. • Maintain an Investment and Hedging Strategy ("IHS") document. • Set structures for implementing the IHS and make day to day decisions relevant to the operation of the IHS. • Set structures for implementing the climate change policy and make day to day decisions relevant to the operation of the climate change policy. • Annually update the IHS to capture any changes that have occurred in the preceding 12 months (which will also have been minuted in JIC meetings). • Require the asset managers to operate within the terms of this statement so far as practical.
Investment Advisers	**Asset Managers**
• Advise on all aspects of the investment of the Scheme assets, ESG (including climate change) and implementation. • Advise on this statement. • Provide required training. • Advise the Trustee on suitability of the benchmarks used.	• Operate within the terms of this statement and their written contracts. Select the individual investments within their portfolios (e.g. individual stocks, bonds, derivatives, repos, etc as applicable) with regard to their suitability, including consideration of the impact on portfolio diversification, ESG (including climate change) and stewardship requirements

> We confirm that the approach outlined above in Section 1. Governance was used throughout the year to 31 December 2022.

2. Objectives, Strategy and Implementation of the DB Section

2.1 Investment Objective

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the planned investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy that it has selected (the planned asset allocation strategy) is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

2.2 Strategy

The planned asset allocation strategy was determined with regard to the liability profile and funding position of the Scheme. It was based on the assumption that equities would outperform bonds over the long term. The strategy invests across a range of assets including equities, bonds, property and multi-asset strategies. The balance between the assets is selected with the aim of achieving the investment objective. The Trustee considered written advice from its investment advisers when choosing the

Scheme's planned asset allocation strategy. The Trustee monitors the planned asset allocation strategy on an ongoing basis.

2.3 Risk Measurement and Management

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These risks are discussed in this section.

The risks identified by the Trustee fall naturally into two groups; those that the Trustee manages directly itself and those whose management has been delegated to the JIC, either directly or through a sub-delegation from the GSK Common Investment Fund ("CIF").

2.4 Risks Managed Directly by the Trustee

The risks identified by the Trustee that are also directly managed by itself are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when agreeing the investment strategy with the JIC.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when agreeing investment strategy with the JIC and consulted with the sponsoring employer as to the suitability of the mix between return seeking and liability matching assets. To further mitigate covenant risk, the Trustee has agreed a collateralised recovery plan with the Principal Employer in connection with the separation of GSK's consumer healthcare business.

2.5 Risks Managed by the JIC

The JIC has identified a number of risks that impact the duties that have been delegated to it. These risks include:

- Investment related risks (such as non-diversification risk, asset misallocation risk, manager risk, custody risk, stocklending risk, and cash investment risk as well as the risk attaching to a failure to adequately monitor environmental, social and governance ("ESG") considerations (including climate-related risks and opportunities) or other financially material considerations, which may have an adverse effect on the performance of the assets over the relevant lifespan of the Scheme).
- Hedging related risks (such as counterparty risk, roll risk, hedge ineffectiveness risk, and collateral shortfall risk), and liquidity risk.

These risks are identified in the Risk Map, along with the various risk mitigation options and a monitoring framework.

2.6 Management of Operational Risk

A further risk that the Trustee has identified is the risk of fraud, poor advice or acts of negligence ("operational risk"). Both the Trustee and the JIC have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

2.7 Regular Monitoring of Risks

The Trustee manages risks using both qualitative and quantitative techniques. In addition, it has a process in place to overview the way in which the JIC is managing the risks that have been delegated to it. Specific details of the risk management processes that the Trustee and the JIC have in place are detailed below.

Due to the complex and interrelated nature of the risks that the Trustee manages directly, these risks are considered in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

The Trustee may also review the risks directly managed by it quantitatively. For example, the Trustee regularly reviews the progress of the Scheme's funding level over time as part of its ongoing management of mismatching risk.

2.8 Monitoring of risks delegated to the JIC

The JIC regularly monitors the risks whose management has been delegated to it by the Trustee. In addition to the risk monitoring outlined in the Risk Map, the JIC's monitoring process also includes regular analysis of reports containing the following information:

- Performance versus the Scheme's investment objective.
- Performance of individual asset managers versus their respective targets.
- Any significant issues with the asset managers that may impact their ability to meet their performance targets.

The Trustee regularly receives summaries of the above information and also summaries of the decisions made by the JIC. This forms part of its overall risk monitoring process.

2.9 Implementation

The Trustee invests DB Section assets both directly and indirectly through the CIF, which has an independent trustee board (the CIF Directors). The Trustee and the CIF have delegated all investment and hedging related responsibilities to the JIC. The JIC has delegated the management of the assets to a number of asset managers.

The Trustee also has assets in the form of insurance policies which are held to match part of the pension in payment liabilities.

The JIC monitors the performance of all asset managers on a quarterly basis and assesses any significant issues with the asset managers that may impact on their ability to meet the performance objectives set by the Trustee.

The Trustee monitors the major decisions of the JIC, such as asset allocation and manager selection to ensure that they are consistent with the objectives of the Trustee.

The JIC is responsible for ensuring that the asset mix of the Scheme assets does not move too far from the planned asset allocation. The asset allocation is regularly monitored and rebalanced to ensure it remains within certain ranges.

The JIC is responsible for considering whether it would be appropriate to include alternative investments such as private equity and hedge funds in the overall investment strategy.

We confirm that the approach outlined above in Section 2. Objectives, Strategy and Implementation was used throughout the year to 31 December 2022. In particular;

1) **Kind of investments held, their expected return and the balance between them**

   The JIC regularly reviewed the balance between the kinds of investments held in the portfolio over the course of the year. Historical performance, risk, market outlook and Asset Manager specific circumstances are all considered when determining the balance between the Scheme's investments.

   The Trustee monitors the performance of the funds used against their stated objectives and benchmarks. This takes place on a quarterly basis. The performance report also highlights any changes to the Investment Adviser's manager research rating.

   Over the course of the year, the overall split between Liability Driven Investment (including Credit) and Growth assets was volatile due to the significant moves in government bond yields. The JIC monitored this closely and took rebalancing action when appropriate. Within the Growth sub-portfolio, the allocation to active management was decreased in favour of passive equity mandates. In the Liability Hedging Portfolio, the allocation to Credit increased, funded by Government Bond sales and cash available in the portfolio and rebalancing activity.

2) **Risks and how they are measured and managed**
The Trustee and JIC considers both quantitative and qualitative measures for risks when deciding investment policies and the choice of Asset Managers, funds and strategies.

The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions.

The Scheme's approach to risk was reviewed during the year, with an updated risk register and associated monitoring plans produced in 2022. The Scheme's advisors also introduced a quarterly Integrated Risk Management dashboard to help more succinctly monitor the varying actuarial, covenant and investment related risks that the Scheme is exposed to.

The Trustee also reviews the quarterly investment reports provided by the Investment Adviser, which monitor the volatility of the investment strategy as a whole, as well as its component parts.

A number of investment risks related to the ongoing management of the investments, such as liquidity, collateral and leverage risk are delegated to the JIC to oversee and monitored on at least a quarterly basis.

We provide more detailed commentary throughout Section 3, where the majority of our investment related policies can be found.

3. Investment Policies

3.1 General Investment Policy also covering ESG (including climate change) and Stewardship

The Trustee of the Scheme will, after having taken investment advice, decide an overall planned asset allocation for the Scheme between return seeking and liability matching assets which will be communicated to the JIC. The IHS is then developed by the JIC, in conjunction with the trustees of the schemes which participate in the JIC. It is the JIC's policy to consider:

- The underlying schemes' chosen overall asset allocation.
- A full range of asset classes, including alternative asset classes such as private equity.
- The suitability of each asset class in the planned asset allocation strategy.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of the possible styles of investment management and manager diversification.
- The need for appropriate diversification both across asset classes and within asset classes.
- The viability of including risk mitigation strategies, for example by seeking to protect against equity falls using floors or other hedging mechanisms.
- ESG (including climate-related) risks and opportunities in the investment and funding strategies.

Having considered the above and taken advice from the investment advisers, the JIC liaises with the trustees of the schemes which participate in the JIC about the proposed asset allocation strategy for the Scheme.

The return seeking assets are contained in the CIF and the liability matching assets are segregated by the individual schemes. The Trustee reviews from time to time whether continued participation in the CIF is appropriate.

The Trustee and the JIC expect the asset managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical. In addition, asset managers pay commissions to third-parties on many trades they undertake in the management of the assets.

Kind of investments held

The Credit allocation, was increased in 2022, and was built up throughout the year with the final allocations due to be made in 2023, to reach the new strategic target for this asset class. The JIC are reviewing the nature of the investments held in 2023, to ensure the strategy continues to balance liquidity, collateral, return and risk requirements optimally.

Expected return on investments

The Trustee monitors the performance of the funds used against their stated objectives and benchmarks. This takes place on a quarterly basis. The performance report also highlights any changes to the Investment Adviser's manager research rating.

The selection of the underlying Asset Managers is the responsibility of the JIC.

The JIC also meet with the managers employed in the DB Section of the Scheme on an ad hoc basis, to discuss performance, market trends and any changes to objectives where relevant.

The decision was taken to disinvest from foure of the return seeking mandates in the return seeking portfolio over the period. This was driven by lacklustre performance and in some cases a deteriorating view of the manager from the Scheme's Investment Adviser, as well as the requirement to rebalance the portfolio in favour of matching assets in the second half of the year.

Realisation of Investments

The liquidity of the various funds employed by the Scheme varies, ranging from daily dealing to semi-annual dealing. The JIC takes advice from the Investment Adviser to ensure the overall portfolio liquidity is sufficient and whenever divestments are required.

The Trustee has a long-term time horizon for its investments and therefore acknowledges the importance of being an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee considers sustainable investment to be the integration of ESG factors (including climate-related risks and opportunities) into investment decisions, where financial risk and/or return is or could be materially affected ("Sustainable Investment").

Careful consideration is given to Sustainable Investment when asset managers are selected, retained or realised and the Trustee expects their managers to take into account Sustainable Investment considerations (including but not limited to climate change) when making investment decisions. The Trustee's Investment Adviser provides Sustainable Investment ratings for asset managers on a quarterly basis, to enable monitoring of this.

The Trustee keeps up to date on developments in Sustainable Investment through periodic training and discussions and a specific allocation has been made to a low carbon equity fund.

Financially material considerations over the appropriate time horizon

The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific to ESG) from the Investment Adviser. None of the Scheme's Asset Managers were rated 'Weak' with regards to ESG, with most rated as 'Good' or 'Strong' by the Scheme's Investment Adviser.

Over the year the Trustee and JIC has had regular discussions on sustainable investment approaches, the evolving regulatory landscape and specific discussions around climate related metrics, scenario analysis and targets. This was in part to support the production of climate specific reporting for the Scheme.

The Trustee acknowledges that managers following certain strategies have less opportunities to display strong ESG credentials, due to the nature of the mandate used, for example in derivative based strategies. The Scheme's Investment Adviser has flagged such strategies as 'low focus' with regards to ESG so the Trustee & JIC can better assess where to direct efforts to improve engagement amongst the Asset Managers.

3.1.1 Climate change

The Trustee sets out its policy relating to the governance of climate-related risks and opportunities in a separate annually published climate report. The Trustee includes its portfolio metrics and climate change targets in this report.

3.1.2 Stewardship

Whilst the Trustee does not wish to interfere with the day to day investment decisions of its asset managers, where managers have voting rights and can be impactful the Trustee evaluates their approach on an annual basis and the Trustee expects its asset managers to comply with the principles outlined in the Principles for Responsible Investing and the UK Stewardship Code. The Trustee's Investment Adviser has regular dialogue on this topic with asset managers and reports on this to the Trustee no less than annually.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, requires its asset managers to have an explicit strategy, outlining the circumstances in which they will engage with a company on (or issuer of debt, or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interests, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy. Where an explicit policy is not available, the Trustee will require an outline of the approach taken, including examples. The Trustee reviews regularly the voting strategy of its asset managers. On behalf of the Trustee, the JIC reviews regularly the voting strategy of its asset managers. In the event the voting and engagement strategy is deemed insufficient, the JIC will either request further engagement and updates from the Investment Adviser or engage directly with the asset manager. If this is not successful, the JIC could ultimately opt to remove the asset manager.

The exercise of rights (including voting rights) attaching to the investments

The Trustee delegates the exercise of voting rights associated with investments to the underlying Asset Managers, and this is reviewed in detail by the JIC annually.

The following funds held for the full year contain an allocation to equities:

- LGIM passive regional equity index tracker funds (currency hedged and unhedged)
- LGIM MSCI World Low Carbon Target Fund
- Farallon Capital Partners

The voting records of the high focus Asset Managers are summarised in Appendix A.

Particular focus is placed on LGIM as they hold the most significant equity mandates for the Scheme.

The examples shown in Appendix B demonstrate examples of significant votes cast by the Scheme's Asset Managers where voting rights have been used to influence change with regard to ESG-related issues.

In 2022, the Trustee also agreed a set of specific stewardship priorities that they see as particularly significant and therefore expect their Asset Managers to focus on when voting proxies and engaging with underlying companies within the portfolio. These priorities are summarised below:

- **Climate Crisis:** a focus on climate change and net zero greenhouse emissions
- **Environment Impact:** a focus on aspects such as biodiversity, deforestation and water usage
- **Human rights:** a focus on aspects such as living wages, gender equality and health & nutrition
- **Governance:** a focus on aspects such as board construction and executive compensation

Undertaking Engagement activities (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)

The Trustee wishes to encourage best practice in terms of corporate activism. It therefore encourages its Asset Managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.
Where the Scheme invests in pooled funds, the Trustee requires its Asset Managers to engage with the investee companies on the Trustee's behalf.

The JIC review the voting activity of their funds on an annual basis, and reviewed voting records for managers from January 2022 – December 2022 at their Q2 meeting.

The Trustee welcomes the views of the members and beneficiaries, including (but not limited to) their views in relation to Sustainable Investment, which are periodically fed back to the Trustee. For the avoidance of doubt however, it does not currently take any non-financial factors into account when setting the investment strategy.

The extent to which non-financial matters are taken into account

There were no non-financial matters considered during the reporting period.

The Trustee believes that by being a sustainable investor, they are managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme.

3.1.3 Arrangements with Asset Managers: Policy

The Trustee believes that an understanding of, and engagement with, asset managers' arrangements is required to ensure they are aligned with Trustee's policy, including its Sustainable Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored:

- How asset manager arrangements incentivise asset managers to align their strategy and decisions with the Trustee's policies
- How asset manager arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of asset managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the asset managers, in the context of the asset manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the asset manager

3.1.4 Arrangements with Asset Managers: Implementation

The Trustee, through delegation to the JIC, considers their Investment Adviser's assessment on the alignment of the asset manager with the Trustee policies, including those related to ESG and Stewardship. The Trustee will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of asset managers.

Asset managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Whilst the Trustee notes that their ability to influence decision making within pooled fund structures is limited, the underlying asset managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. Asset managers are appointed on an ongoing basis which helps to incentivise them to focus on medium to long term performance.

How the arrangements incentivise Asset Managers to align with the Trustee's policies

Four growth mandates were removed from the portfolio over the course of the year. This was driven by lacklustre performance from the Funds and in some cases a deteriorating view of the manager from the Scheme's Investment Adviser, as well as the need to rebalance in favour of matching assets over the year.

The Investment Adviser or JIC meets the asset managers from time to time to discuss their investment performance, strategy, their performance as Sustainable Investors and to discuss any issues of concern. They provide regular updates to assist the Trustee in fulfilling their responsibility for monitoring and reporting on the asset managers' performance. Where needed the Trustee will challenge managers on their policies and instances where managers may not be aligned with best practices within the industry. This action is taken try to ensure continuing improvement over the medium to long term in the performance of assets from both a financial and non-financial perspective.

How the arrangements incentivise Asset Managers to make decisions based on the medium to long term performance of asset issuers and engage with them to improve performance

The Scheme's Investment Adviser conducts regular meetings with the Scheme's underlying Asset Managers to review their investment performance, strategy and their performance as Sustainable Investors. The Scheme's Investment Adviser then reports back to the JIC with any update on the managers in this regard. These updates are usually conveyed through a series of ratings which seek to measure overall conviction, performance vs objective, and specific ESG credentials. The JIC also makes a specific annual assessment of Asset Manager's policies in this area.

Where required the JIC will meet directly with managers to make their own assessment. The JIC met with two of the Scheme's managers in 2022.

The JIC and Trustee receive performance reports from their Investment Advisers on a quarterly basis, which present performance information for the funds over three months, one year, and since inception. The JIC reviews the absolute performance and relative performance against a suitable index or target used as the benchmark, on a net of fees basis. Whilst the JIC and Trustee's focus is on long-term performance, it also takes shorter-term performance into account.

If an underlying manager is not meeting performance objectives, or their investment objectives have changed, the Trustee may review the suitability of the manager, and change managers where required. As managers are remunerated based on the level of assets managed and in some cases with an additional performance related fee, there is a direct interest for asset managers to perform in line or ahead of targets in order to retain mandates and continue to receive compensation on an ongoing basis.

How the method (and time horizon) of the evaluation of performance and the remuneration for services are in line with Trustee's policies

Where managers are not meeting performance objectives, the JIC will monitor the manager closely in conjunction with the Scheme's Investment Adviser. In some instances, the Investment Adviser may share certain criteria with the manager, which they will need to meet in order to avoid having their rating downgraded (or have their rating re-upgraded).

Where the JIC feel it is necessary, they will directly engage with managers to offer them the opportunity to explain periods of poor performance or other issues.

From the information delivered over the year, the JIC were satisfied with the progress of the managers in relation to ESG and no further action was taken over the period covered by this statement.

The Trustee does not currently define target portfolio turnover ranges for asset managers, particularly as the Trustee primarily use pooled funds. However, the Trustee will engage with an asset manager if portfolio turnover is higher than expected. The JIC considers portfolio turnover costs indirectly through consideration of overall costs incurred throughout the year (including all manager fees and expenses), provided within data the Trustee receives annually under the MIFID II framework.

How the Trustee monitors portfolio turnover costs

The Scheme's Investment Adviser monitors manager portfolio turnover on the Trustee's behalf as part of its ongoing manager monitoring.

There were no instances of excessive portfolio turnover for the period covered by this statement.

The Trustee consider the levels of transaction costs as part of the JIC's annual review of costs and charges, last carried out as at 31 December 2021 (in early 2023).

While the transaction costs provided appear to be reasonably reflective of costs expected of the various asset classes and markets that the Scheme invests in, there is not as yet any industry standard or universe to compare these to. The Trustee will assess these costs on an ongoing basis moving forwards and where appropriate with help from their Adviser would challenge the level of costs incurred if they were assessed to be too high relative to expectations as this may indicate excessive turnover.

All the investment vehicles are open-ended, with no set end date for the arrangements. An asset manager's appointment may be terminated due to a change in the overall investment strategy or changes in expectations of their ability to deliver against the agreed mandate or in line with the investment policies of the Trustee.

Duration of Asset Manager arrangements

The decision was taken to disinvest from one underperforming mandate at the start of the year and in the summer for several active equity managers. This was driven by lacklustre performance from the Funds and in some cases a deteriorating view of the manager from the Scheme's Investment Adviser, along with the need to rebalance the portfolio into matching assets.

3.1.5 Other

The Trustee has appointed a global custodian. The custodian provides safekeeping for all the Scheme's assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions. The custodian also provides unitisation of the CIF's assets to ensure that Scheme's assets are clearly identified.

Assets are mainly invested on regulated markets. We note that some funds may have exposure to securities not on regulated markets. The Trustee has delegated the management of these securities to asset managers to ensure these are kept to prudent levels.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

The Trustee has appointed investment advisers. The advisers operate under agreements to provide services which ensures the Trustee and JIC are fully briefed to take decisions themselves and to monitor those they delegate.

The Trustee's investment advisers have the knowledge and experience required under the Pensions Act 1995.

3.2 Additional Voluntary Contributions ("AVCs")

The Trustee has made available various investment vehicles for the investment of AVCs. The details of the policies surrounding these arrangements are set out in the Scheme's *'Statement of Investment Principles for the Defined Contribution Section – August 2022.*

3.3 Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to an asset manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee approaches Sustainable Investment and ESG considerations where applicable in direct investments consistently with their general policies outlined above.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include the vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the asset manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation) and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the asset managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The policy for the Scheme's AVC assets which are classified as direct investments are set out in the Scheme's *'Statement of Investment Principles for the Defined Contribution Section – August 2022.*

We confirm that the approach outlined in 3. Investment Policies was used throughout the year to 31 December 2022.

4. Supplementary information to the SIP

There is further information contained in the document titled *"Supplementary information to the Statement of Investment Principles ("SIP") for the DB Section of the Scheme* **–** *September 2022"* on the fee structures for Managers and Advisers. In addition, details of the policies governing AVC arrangements are set out in the Scheme's *'Statement of Investment Principles for the Defined Contribution Section* **–** *August 2022.*

5. Compliance with this statement

The Trustee will review this SIP at least every 3 years and as soon as practicable following a significant change in investment strategy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the SIP.

> As noted earlier in this Statement, the SIP was reviewed twice last year to ensure it remained current with the latest legislation and scheme circumstances.

Appendix A – Manager Voting Responsibility

To ensure voting behaviour is consistent with the Schemes' investment objectives and stewardship priorities, the Trustee has classified 'significant votes' as those which consider any one of the following factors with relevant (but not exhaustive) examples:

- **Climate –** Climate change, net zero greenhouse gas emissions
- **Governance –** Board composition, remuneration
- **Environmental impact –** Biodiversity, deforestation
- **Human Rights –** Living wages, gender equality, health and nutrition

The following table details information on the manager voting policies as well as data on votes undertaken over the year. Mandates where shareholder voting is not applicable are not included in the list below.

DC Section

Manager	Manager proxy voting policy	Votes undertaken over the year - 1 January 2022 to 31 December 2022
Nordea	Nordea is a fund company with unit holders as clients and they vote based on their policy in the best interest of unitholders. In all its activities, Nordea shall act in the best interests of the customer, and act honestly, fairly and professionally. Nordea funds have an aggregated voting strategy, meaning that they strive to vote for as large part of their total holdings in any given company as possible. Nordea's proxy voting is supported by the external vendor Institutional Shareholder Services ("ISS") to facilitate the proxy voting, execution and to provide analytic input.	**Diversified Return** Number of meetings eligible to vote: 193 Number of resolutions eligible to vote: 2,363 Proportion of votes with management: 84% Proportion of votes against management: 9% Proportion of votes abstained: 2%
HSBC	HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills. HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. They review voting policy recommendations according to the scale of overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines. They regard the votes against management recommendation as the most significant. With regards to climate, in their engagement they encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. They also generally support shareholder	**Islamic Global Equity** Number of meetings eligible to vote: 107 Number of resolutions eligible to vote: 1,623 Proportion of votes with management: 82% Proportion of votes against management: 18% Proportion of votes abstained: 1%

Manager	Manager proxy voting policy	Votes undertaken over the year - 1 January 2022 to 31 December 2022
	resolutions calling for increased disclosure on climate-related issues.	
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.	**LGIM GSK Lifecycle Fund** Number of meetings eligible to vote: 11,599 Number of resolutions eligible to vote: 117,723 Proportion of votes with management: 78% Proportion of votes against management: 21% Proportion of votes abstained: 1% **LGIM GSK Retirement Income Multi-Asset Fund** Number of meetings eligible to vote: 10,046 Number of resolutions eligible to vote: 102,592 Proportion of votes with management: 78% Proportion of votes against management: 21% Proportion of votes abstained: 1% **LGIM GSK Overseas Equity Fund** Number of meetings eligible to vote: 10,612 Number of resolutions eligible to vote: 106,515 Proportion of votes with management: 77% Proportion of votes against management: 22% Proportion of votes abstained: 1% **LGIM GSK Diversified Growth Fund** Number of meetings eligible to vote: 9,565 Number of resolutions eligible to vote: 98,769 Proportion of votes with management: 77% Proportion of votes against management: 22% Proportion of votes abstained: 1%

Manager	Manager proxy voting policy	Votes undertaken over the year - 1 January 2022 to 31 December 2022
		LGIM Global Equity Fund Number of meetings eligible to vote: 11,226 Number of resolutions eligible to vote: 114,687 Proportion of votes with management: 78% Proportion of votes against management: 21% Proportion of votes abstained: 1% **LGIM GSK UK Equity Index Fund** Number of meetings eligible to vote: 759 Number of resolutions eligible to vote: 10,854 Proportion of votes with management: 95% Proportion of votes against management: 5% Proportion of votes abstained: 0% **LGIM GSK Global Sustainable Equity Fund** Number of meetings eligible to vote: 4,942 Number of resolutions eligible to vote: 53,097 Proportion of votes with management: 80% Proportion of votes against management: 19% Proportion of votes abstained: 1%
Fulcrum	Fulcrum's default choice is to vote as per the Climate Change Policy by their proxy adviser, Glass Lewis. Fulcrum will, in these instances, do their own research and if they consider it right to do so, vote against their advice if this is in advantage of the topic of climate change mitigation. In particular, Fulcrum looks for votes related to encouraging science-based target setting with regard to decarbonisation goals as this is a core part of their engagement focus. Glass Lewis' advice feeds automatically into the Broadridge platform where they execute the votes.	**Diversified Absolute Return** Number of meetings eligible to vote: 630 Number of resolutions eligible to vote: 13,378 Proportion of votes with management: 89% Proportion of votes against management: 9% Proportion of votes abstained: 2%
MAN	Man Group appointed Glass Lewis as its proxy service provider. MAN Group uses Glass Lewis's voting platform 'Viewpoint' to vote their shares electronically, receive research reports and	**Alternative Style Risk Premia** Number of meetings eligible to vote: 849

Manager	Manager proxy voting policy	Votes undertaken over the year - 1 January 2022 to 31 December 2022
	custom voting recommendations. They have monitoring controls in place to ensure that the recommendations provided are in accordance with our ESG Voting Policy and that their votes are timely and effectively instructed. Specifically, their voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, they also have in place electronic alerts to inform them of votes against their policy, votes that need manual input and rejected votes that require further action. MAN Group proxy voting framework comprises a bespoke screening system that identifies 'high-value meetings'. This screening combines the ESG rating from a third-party provider with an internal metric on deemed importance of the meeting. If a company falls below a certain threshold score in any area (ESG rating) and / or is considered materially important based on the % of shares outstanding held by Man or fund's AUM, the meeting will be flagged to the Stewardship Team and be considered 'high-value'. In addition to this, all meetings with shareholder proposals are also flagged to the Stewardship Team and reviewed.	Number of resolutions eligible to vote: 10,097 Proportion of votes with management: 86% Proportion of votes against management: 13% Proportion of votes abstained: >1%

DB Section

Manager	Manager proxy Voting Policy	Key votes undertaken over the year - 1 January 2022 to 31 December 2022
Egerton	Egerton do not use a proxy advisor but do utilise the services of Proxy Edge to cast votes.	Total opportunities to vote = 374 Total votes were cast = 314 Votes for management = 92% Votes against management = 6% Votes to abstain = 2%
Farallon	Farallon obtains proxy voting analysis and recommendations from Glass Lewis and delivers these to their investment professionals, who are responsible for instructing votes in the best interests of the Farallon funds. The Glass Lewis recommendations are simply one piece of information that Farallon's investment analysts may consider.	Total opportunities to vote = 1724 Total votes were cast = 1724 Votes for management = 90% Votes against management = 9% Votes to abstain = 1%
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.	Total opportunities to vote = 93,226 Total votes were cast = 93,060 Votes for management = 80% Votes against management = 19% Votes to abstain = 1%

<table>
<tr><th>Manager</th><th>Manager proxy Voting Policy</th><th>Key votes undertaken over the year - 1 January 2022 to 31 December 2022</th></tr>
<tr><td>Majedie UK Focus</td><td rowspan="2">Majedie use ISS and have implemented their own voting policy. In terms of reaching a voting decision, where a management recommendation and their proxy voting research provider's recommendation are in alignment Majedie will be minded to vote the same, except where items concern approval of political donations and expenditure, where they will be minded to vote against. Where there is divergence, the relevant Majedie fund manager will make a decision on how to vote.
.</td><td>Total opportunities to vote = 767
Total votes were cast = 767
Votes for management = 98%
Votes against management = 2%
Votes to abstain = 0%</td></tr>
<tr><td>Majedie Global Focus</td><td>Total opportunities to vote = 652
Total votes were cast = 626
Votes for management = 90%
Votes against management = 10%
Votes to abstain = 0%</td></tr>
</table>

Appendix B – Examples of Significant Votes

The following table details examples of significant votes undertaken over the year, in the Manager's own words.

The Trustee has reviewed voting records from the managers in each of their priorities listed above (Climate, Governance, Environmental Impact and Human Rights). The votes listed below are advised as most significant as they not only cover the priority areas for the scheme but also have the largest holding size as a proportion of the relevant Funds.

Mandates where shareholder voting is not applicable are not included in the list below

DC Section

Fund	Manager	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
GSK Lifecycle Fund	LGIM	Amazon.com, Inc	1.12%	25/5/22	Elect Director Daniel P Huttenlocher	Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website.	Passed	Human Rights	A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	As Human Rights are considered significant to the Scheme, the Trustee was interested to note the background to this particular director.
GSK Global Equity Fund	LGIM	NVIDIA Corporation	0.09%	2/6/22	Elect Director Harvey C. Jones	Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website.	Passed	Governance	Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a	The Trustee views Board Composition as a key priority to the Scheme, as appropriate Boards are expected to run more efficient companies.

Fund	Manager	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
									board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	
GSK Overseas Equity Fund	LGIM	Alphabet, Inc.	0.97%	25/5/22	Report on Physical Risks of Climate Change	Against Management – FOR. LGIM publicly communicates its vote instructions on its website.	Did not pass	Climate Change	This was a shareholder resolution (i.e. proposed by shareholders, not by management) for which LGIM voted in favour, because it aligns with their views on actions companies should be taking to tackle climate change. LGIM votes in line with their custom vote policy, which reflects their published views and principles (published on their website), and they vote consistently in line with these across all our holdings. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. LGIM voting decision is not based on whether they believe a resolution will "pass". They aren't able to comment on the reasons behind the voting decisions of other shareholders.	The Trustee views Climate Change as a significant area for the Scheme.

Fund	Manager	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
GSK UK Equity Index Fund	LGIM	BP PLC	3.06%	12/5/22	Approve Net Zero - From Ambition to Action Report	With Management – FOR	Passed	Climate Change	A vote FOR is applied, though not without reservations. While LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	The Trustee views net zero targets as significant, and therefore are satisfied with LGIM's approach to this voting.
GSK Retirement Income Multi-Asset Fund	LGIM	Prologis, Inc.	0.26%	4/5/22	Elect Director Hamid R. Moghadam	Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website.	Passed	Governance	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills,	The Trustee believes that Board Composition is significant, and notes that LGIM considers this vote to be significant as it is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of

Fund	Manager	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
									experience, tenure, and background. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.
GSK Shariah Fund	HSBC	Apple Inc.	7.11%	3/4/22	Report on forced labour	Against Management – FOR. HSBC did communicate their thinking ahead of the AGM	Did not pass	Human Rights	The proposal would lead to increased transparency on Apple's supply chain policies and processes, which could help alleviate growing risks related to manufacturing in certain regions. HSBC will continue to engage on the issue along with other issus of concern, and would likely vote against management again should we see insufficient improvements.	The Trustee believes that increased transparency is an improvement on current practices, and therefore encouraged that HSBC are voting in line with this preference.
GSK Diversified Growth Fund	LGIM	Royal Dutch Shell Plc	0.08%	24/5/22	Approve the Shell Energy Transition Progress Update	With Management – AGAINST	Passed	Climate Change	A vote against the resolution was applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However	The Trustee views Climate Change as a significant area for the Scheme, and is supportive of disclosures across all industries.

Fund	Manager	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
									concerns remain of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	
GSK Global Sustainable Equity	LGIM	JPMorgan Chase & Co	0.82%	17/5/22	Elect Director Todd A. Combs	Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website.	Passed	Governance	Joint Chair/CEO: A vote AGAINST the relevant director is applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. Remuneration: Escalation: A vote AGAINST the re-election of Stephen Burke (Committee Chair), Linda Bammann, Todd Combs and Virginia Rometty is applied in light of the one-off time-based award and our persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed accountable for the Company's pay practices.	As above, the Trustee notes that Board Composition is key to the good stewardship of a Company and therefore engaging with the Company is key.

Given the size of the holdings, most of the significant votes that have been identified above have been managed by LGIM over the year. Therefore, we have also shown significant votes from other managers below:

Manager	Fund	Company	Approx. Size of Holding at date of vote	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
Nordea	Diversified Return	Monster Beverage	1.27%	14/6/22	Report on GHG emission reduction targets aligned with the Paris Agreement goal.	Against Management – FOR Nordea did not inform management of their voting intention prior to the vote.	Did not pass	Environmental Impact	Nordea voted for the shareholder proposal as they think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.	The Trustee views Climate Change as a significant area for the Scheme, and is supportive of disclosures across all industries.
Fulcrum	Diversified Absolute Return	Home Depot, Inc.	<1%	16/5/22	Shareholder Proposal Regarding Deforestation Report	Against Management – FOR Fulcrum did not inform management of their voting intention prior to the vote.	Passed	Environmental Impact	Glass Lewis, Fulcrum's Voting proxy advisor, were not convinced that the proponent has sufficiently demonstrated that the Company has neglected this issue or that adoption of this proposal would mitigate risks to or increase shareholder value, particularly given the Company's current initiatives and commitments. As such, they do not believe that adoption of this proposal is necessary at this time and recommended that we vote against the proposal. However, Fulcrum agree with the proponent's view and after internal discussions, voted FOR the proposal.	The Trustee notes that deforestation is a key area of Environmental Impact and therefore significant to the Scheme. In addition, the Trustee was interested to see the due diligence applied from Fulcrum and the vote against their proxy's recommendation in this case.
MAN	Alternative Style Risk Premia	Mitsubishi Corporation	<1%	24/6/22	Shareholder Proposal Regarding Aligning	Against Management – FOR	Did not pass	Environmental Impact	MAN voted for this resolution as they favour increased environmental reporting/responsibility.	The Trustee views Climate Change as a significant area for the Scheme, and is supportive

					Business Strategy to the Paris Agreement	MAN did not inform management of their voting intention prior to the vote.				of disclosures across all industries.

DB Section

Fund	Manager	Company	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
Egerton Capital Equity	Egerton Capital	Canadian National Railway	20/5/22	Approve the proposed climate action plan	For the motion, with Management	Passed	Climate Change	Egerton voted for this resolution as they favour increased environmental responsibility.	The Trustee views Climate Change as a significant area for the Scheme, and are supportive of better disclosures across all industries.
Regional Passive Equity	LGIM	Glencore Plc	28/4/22	Approve Climate Progress Report	Against the motion and against management	Passed	Climate Change	Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While we note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, we remain concerned over the company's activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	The Trustee views Climate Change as a significant area for the Scheme, and are supportive of better disclosures across all industries.

Fund	Manager	Company	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
MSCI World Low Carbon Target	LGIM	Apple Inc.	4/3/22	Report on Civil Rights Audit	For the motion and against management	Passed	Human Rights	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	The Trustee believes that increased transparency is an improvement on current practices.
Majedie UK Focus	Majedie	NatWest Group	28/4/22	Re-elect Director	Against the motion and against management	Passed	Governance	ISS recommends a vote against the re-election of the Director. In addition to his role as NED of the Company, they also serve on boards of three other publicly listed companies, in particular, as Board Chair in two of those. This could potentially compromise their ability to commit sufficient time to his role at NatWest Group Plc.	The Trustee views Board Composition as a key priority for the Scheme, as appropriately resourced Boards are expected to run more effective companies.
Global Focus		Fiserv	18/5/22	Submitting the severance agreement to a Shareholder vote	For the resolution and against management	Passed	Governance	A vote for this proposal is warranted given that the request applies only to future severance arrangements, the current agreements will not be affected, the request offers flexibility as to when the board may seek shareholder approval of a new or renewed severance arrangement, such as at the next annual meeting, and it is positive for shareholders to have the ability to vote on severance amounts that exceed market norms. The proposal is not an outright ban on the acceleration of awards or other severance arrangements; rather, future agreements including acceleration	The Trustee views remuneration strategy as a key priority for the Scheme, as appropriately remunerated Boards and teams are expected to run more effective companies.

Fund	Manager	Company	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
								provisions would likely require shareholder ratification. Also, the proposal only applies to future severance arrangements and the current agreements will not be affected. Finally, the proposal offers flexibility as to when the board may seek shareholder approval of a new severance arrangement, such as at the next available annual meeting. In light of these factors, a vote for this non-binding item is warranted.	

Appendix C – Benchmark and Target Allocations

DC Section

Fund	Underlying Fund		Benchmark	Fund Type
Lifecycle Fund	65.0%	GSK Global Equity Index	3.0% FTSE All Share Index / 3.0% Solactive L&G ESG UK Index / 17.5% FTSE AW - World (Ex-UK) / 17.5% Solactive L&G ESG Developed (Ex-UK) Index / 22.0% FTSE AW - World (Ex-UK) – GBP Hedged / 22.0% Solactive L&G ESG Developed (Ex-UK) Index GBP Hedged / 5.0% FTSE AW – All Emerging Markets / 5.0% Solactive L&G ESG Emerging Markets Index / 5.0% FTSE Global Developed Small Cap Index	Active & Passive
	35.0%	GSK Diversified Growth	Benchmark – Sterling Overnight Index Average (SONIA) Target – SONIA +3.5% (net of fees)	
UK Equity Index	100.0%	LGIM - UK Equity Index	FTSE All-Share Index	Passive
Global Equity Index	3.0%	LGIM - UK Equity Index	FTSE All-Share Index	Passive
	3.0%	LGIM – Future World UK Equity Index	Solactive L&G ESG UK Index	
	94.0%	GSK Overseas Equity Index	See below	
Overseas Equity Index	23.4%	LGIM - World (ex-UK) Developed Equity Index	18.6% FTSE AW - World (Ex-UK) / 18.6% Solactive L&G ESG Developed (Ex-UK) Index / 23.4% FTSE AW - World (Ex-UK) – GBP Hedged / 23.4% Solactive L&G ESG Developed (Ex-UK) Index GBP Hedged / 5.3% FTSE AW – All Emerging Markets / 5.3% Solactive L&G ESG Emerging Markets Index / 5.3% FTSE Global Developed Small Cap Index	Passive
	23.4%	LGIM Future World Developed (ex UK) Equity Index Fund – GBP Hedged		
	18.6%	LGIM - World (ex-UK) Developed Equity Index (Currency Hedged)		
	18.6%	LGIM Future World Developed (ex UK) Equity Index Fund		
	5.3%	LGIM - World Emerging Markets Equity Index		
	5.3%	LGIM Future World Emerging Markets Equity Index Fund		
	5.3%	LGIM – Global Developed Small Cap Index Fund		
Diversified Growth	28.6%	LGIM - Diversified Return	Benchmark – SONIA Target – SONIA +3.5% (net of fees)	Active
	28.6%	Nordea - Diversified Return		Active
	21.4%	Fulcrum – Diversified Absolute Return		Active
	21.4%	Man Group – Alternative Style Risk Premia		Active
Inflation Linked Pre-Retirement	100.0%	LGIM – Future World Inflation Linked Annuity Aware Fund	45% FTSE Index Linked Gilts Over 15 Years Index / 55% FTSE Index Linked Gilts Under 15 Years Index	Passive
Retirement Income Multi-Asset	100.0%	LGIM - Retirement Income Multi-Asset	Bank of England Base Rate +3.5% p.a.	Active

Shariah	100.0%	HSBC - Shariah	Dow Jones Islamic Titans 100 Index	Passive
Cash	100.0%	LGIM - Sterling Liquidity	SONIA	Active
Global Sustainable Equity	46.0%	LGIM Future World Developed (ex UK) Equity Index Fund	6% Solactive L&G ESG UK Index / 37% Solactive L&G ESG Developed (Ex-UK) Index / 46% Solactive L&G ESG Developed (Ex-UK) Index GBP Hedged / 11% Solactive L&G ESG Emerging Markets Index	Passive
	37.0%	LGIM Future World Developed (ex UK) Equity Index Fund		
	11.0%	LGIM Future World Emerging Markets Equity Index Fund		
	6.0%	LGIM Future World UK Equity Index		

DB Section

Fund	Return Seeking Portfolio Allocation as at 31/12/2022	Benchmark	Fund Type
Amundi Multi-Strategy Growth Fund	7.2%	3M GBP SONIA	Active
Bridgewater Optimal Portfolio II	14.0%	3M GBP SONIA	Active
CBRE UK Property	7.6%	LPI +2%	Active
Farallon Capital Offshore Investors Currency Class Fund	16.5%	3M GBP SONIA	Active
LGIM Passive Regional Equity Funds	30.0%	MSCI World Total Return Index (hedged GBP)	Passive
LGIM MSCI Low Carbon Target Fund	16.4%	MSCI World Low Carbon Target Total Return Index	Passive
LGIM Managed Property	8.3%	UK IPD Total Return All Property	Active

GSK COMMON INVESTMENT FUND

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Contents	**Page**

GSK COMMON INVESTMENT FUND

TRUSTEE'S AND ADVISERS

YEAR ENDED 31 DECEMBER 2022

Principal employer	GlaxoSmithKline Services Unlimited (the "Company")
Participating Schemes	GSK Pension Scheme GSK Pension Fund SmithKline Beecham Pension Plan
Trustee	Berkeley Square Common Investment Fund Limited
Trustee directors	**Independent Directors** The Law Debenture Pension Trust Corporation p.l.c. - represented by Mr Mark Ashworth – Chairman Law Debenture (JIC) Pension Trust Corporation - represented by Mr Keith Scott Mr Allan Whalley (resigned 13 February 2023) Ross Trustees Services Limited – represented by Pavan Bhardwaj (appointed 13 February 2023) **Employer Nominated Directors** Mr Allen Powley Mr Tim Woodthorpe **Member Nominated Directors** Mr Tom Houston Mr John Watson (resigned 31 July 2022) Mr Paul Blackburn (appointed 1 August 2022)
Secretary to the trustee	Ms Harminder Bhamm
Accounting and Trustee support	Towers Watson Limited (trading as WTW)
Independent auditors	Grant Thornton UK LLP
Legal advisers	Sacker & Partners LLP Eversheds Sutherland
Performance measurement	The Bank of New York Mellon (International) Limited
Investment adviser	Cardano Risk Management Limited
Investment managers	Amundi (UK) Limited (appointed 15 July 2022) Aviva Investors UK Fund Services Limited (“Aviva”) (terminated 8 March 2022) Bridgewater Associates, LP (“Bridgewater”) CBRE Investment Management Limited ("CBRE") Egerton Capital Limited (“Egerton”) (terminated 5 September 2022) Farallon Capital Management LLC (“Farallon”) Legal and General Assurance (Pensions Management) Limited (“Legal & General”) Majedie Asset Management Limited (“Majedie”) (terminated 16 August 2022)
Custodian	The Bank of New York Mellon (International) Limited

GSK COMMON INVESTMENT FUND

TRUSTEE'S AND ADVISERS *(continued)*

YEAR ENDED 31 DECEMBER 2022

Bankers	HSBC Bank plc
Independent property valuer	Jones Lang LaSalle

GSK COMMON INVESTMENT FUND

TRUSTEE'S REPORT

YEAR ENDED 31 DECEMBER 2022

Introduction

The Trustee is pleased to present its Annual Report and Financial Statements for the year ended 31 December 2022 for the GSK Common Investment Fund (the "Fund").

Objective of the Fund

The Fund holds the return seeking investments for the defined benefit sections of the following GSK UK occupational pension schemes, collectively referred to as the "Participating Schemes":

- GSK Pension Scheme
- GSK Pension Fund
- SmithKline Beecham Pension Plan

The Participating Schemes hold the remainder of their investments in their own right and not through this Fund.

Trustee

The Trustee during the year and at the date of this report was Berkeley Square Common Investment Fund Limited (the Trustee).

The provisions of the Fund for appointing and removing Trustee Directors from office are set out in the Trust Deed and Rules.

The Trustee board comprises of The Trustee Directors, and these are:

- Three independent directors of whom one is the Chair.
- Two Employer Nominated Directors.
- Two Member Nominated Directors.

The Employer Nominated Directors are appointed and removed by GlaxoSmithKline Services Unlimited (the "Company"). The Member Nominated Trustee Directors are appointed by the Participating Schemes. The Independent Trustee Directors are appointed by the Trustee Board.

Trustee Directors who are normally appointed for four year terms.

The Trustee Directors who acted both during the year and at the date of this report were as reported on page 1 of this report.

The Trustee Board meets four times a year and on additional occasions where business requires this. Decisions are made by majority vote. There were four meetings during 2022 (2021: four).

The Trustee Board takes decisions by a majority of votes cast by the individual Trustee Directors, subject to detailed quorum and special business requirements.

Changes to the Fund rules during the year

No amendments were made to the rules of the Fund in the year.

Transaction with participating schemes

There was a net cash outflow during the year from the Fund to the Participating Schemes of £2,423.8m (2021: net cash outflow of £105.1m) representing cash withdrawn from the Fund.

Statement of Trustee's responsibilities

Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice 'UK GAAP', including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. The Trustee is responsible for ensuring that the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- comply with the requirements of the Trust Deed dated 9 October 1996.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the GSK Pensions website (gskpensions.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Investment management

Investment managers

The Fund acts as an investment vehicle for a selection of the return seeking assets of the Participating Schemes. The Participating Schemes hold the remainder of their assets, in their own name.

The investment decisions taken by the Trustee are made by a Joint Investment Committee (the "JIC"). It operates under formal Terms of Reference that have been formally adopted by the Trustees of the Participating Schemes. This sets out its membership, powers and reporting duties. Its membership includes representatives of the Trustee of each Participating Scheme and a decision in respect of a Participating Scheme cannot be taken unless a Trustee Director of that Participating Scheme agrees to it.

The Trustee has delegated the following functions to the JIC, which are to determine, implement and monitor:

- The allocation between equities, properties and any other assets.
- The geographical distribution of the equities and other assets.
- The split between active and passive management.
- The choice of managers and their appointment, monitoring and removal.
- The impact their investment decisions have on climate change.

The JIC also carries out similar functions for liability matching assets which have been delegated to it by the Participating Schemes for the assets they own directly.

Investment policies

Governance Process

During the accounting year, the Trustees of the Participating Schemes were responsible for setting the following in relation to defined benefit assets:

- The strategic benchmark for defined benefit investments; and
- The operational policies.

The policies are communicated to the JIC which takes all operational and day to day decisions on behalf of the Participating Schemes in accordance with their instructions and their respective Statements of Investment Principles (SIP).

The Governance process is being formally reviewed during 2023 and may be amended going forwards.

Statement of Investment Principles (SIPs)

As required under section 35 of the Pensions Act 1995, the Trustees of the Participating Schemes have approved SIPs. These set out the following in respect of assets held:

- Governance arrangements;
- Objectives and implementation for the defined benefit section; and
- The Trustee's investment policies.

The SIPs of the Participating Schemes are available from the Secretary to the Trustee whose contact details are shown on page 10.

Investment Objectives

The Trustee aims to invest the assets of the Fund prudently in accordance with the SIPs of the Participating Schemes. In setting their investment strategy, the Participating Scheme Trustees first consider the lowest risk asset allocation that they could adopt in relation to the liabilities. The asset allocation strategy they have selected (the planned asset allocation strategy) is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the liabilities.

The SIPs set out the risks managed by the Participating Schemes and by the Fund. The risks that are identified as being managed by the Fund are shown below:

- Investment related risks (such as non-diversification risk, asset misallocation risk, manager risk, custody risk, stock lending risk, and cash investment risk as well as the risk attaching to a failure to adequately monitor environmental, social and governance ("ESG") considerations (including climate-related risks and opportunities) or other financially material considerations, which may have an adverse effect on the performance of the assets over the relevant lifespan of the Scheme).

- Hedging related risks (such as counterparty risk, roll risk, hedge ineffectiveness risk, and collateral shortfall risk), and liquidity risk.

Asset Allocation

Equities

The Fund seeks to achieve investment performance for equity markets through passive management.

	Benchmark Allocation	**Benchmark**
Legal & General Low Carbon	Global Equities	MSCI World Low Carbon Target index
Legal & General Other Funds	Global Equities	Composite benchmark

Majedie and Egerton were terminated during the year.

Property

The Fund holds two forms of property investment:

Direct and indirect investments in the UK.

This consists primarily of a portfolio of retail and industrial directly owned properties. There are no directly owned offices, but there is some exposure via a unit trust on indirect investments.

Asset Allocation (continued)

The benchmarks for the managers are as follows:

Fund Manager	Benchmark Allocation	Benchmark
CBRE	Property	RPI + 4% to March 2022 LPI+2% from April 2022 onwards
Legal & General	Property	AREF/IPD UK quarterly All Balanced Property Fund Index

The Fund seeks to achieve investment performance from Multi Asset funds.

The benchmarks for the managers are as follows:

Fund Manager	Benchmark Allocation	Benchmark
Bridgewater	Mixed strategy	3 Month GBP SONIA
Farallon	Mixed strategy	3 Month GBP SONIA
Amundi	Mixed strategy	3 Month GBP SONIA

Aviva was terminated during the year.

Investment performance

The overall return on the Fund for the year was a decrease of 9.2% (2021: an increase of 8.9%). The aggregate performance of the funds against their benchmarks for the year ended 31 December 2022 (or since inception/to termination for changes during the year) and for 3 years is set out in the table below.

	1 Year returns		3 Year returns		5 Year returns	
	Portfolio Return (%)	Benchmark Return (%)	Portfolio Return (%)	Benchmark Return (%)	Portfolio Return (%)	Benchmark Return (%)
EQUITIES						
Legal & General Passive Equity	(13.0)	(12.2)	5.6	6.6	7.4	8.2
Legal & General Low Carbon Fund	(10.6)	(8.1)	7.7	8.7	N/A	N/A
Majedie Global Focus Fund	N/A	N/A	7.9	7.2	9.4	8.4
Majedie UK Focus Fund	N/A	N/A	(1.3)	0.8	1.4	2.2
Egerton Equity Fund	N/A	N/A	6.9	8.1	9.3	9.3
PROPERTY						
CBRE	(10.2)	8.1	4.5	8.3	4.8	7.5
Legal & General	(7.9)	(9.5)	3.1	2.2	3.2	2.9
MULTI ASSET						
Aviva Multi Strategy Target Return Fund	N/A	N/A	3.1	0.4	N/A	N/A
Bridgewater Optimal Fund	(6.2)	1.1	0.2	0.5	0.1	0.6
Farallon FCOI II Currency Class Fund	(1.2)	1.1	1.8	0.5	4.3	0.6

Investment performance (continued)

The investment managers Aviva, Majedie and Egerton were terminated in March, August and September 2022 respectively, hence their 1 year performance returns are not shown in the above table.

Legal & General Low Carbon Fund and Aviva were held for less than 5 years, hence the 5 year performance returns are not available.

The investment manager Amundi was appointed in July 2022 so 1, 3 and 5 year performance returns are not available.

Operational Policies

Custody of the Fund’s Assets

The CIF had no direct investment holdings in its custody at the year end and The Bank of New York Mellon ("BNYM") is appointed only as record keeper for the various pooled fund holdings.

The custodians for the underlying investments held in pooled funds are as follows, and are appointed by the managers:

Fund Manager	Asset class	Appointed custodians
Legal & General	Pooled equities	HSBC Global Investor Services/Citibank
Farallon	Multi Asset Fund	Goldman Sachs/Credit Suisse/Northern Trust
Bridgewater	Multi Asset Fund	BNYM/State Street/Northern Trust
Amundi	Multi Asset Fund	Caceis
Legal & General	Pooled property	Eversheds Sutherland/Maples Teesdale
CBRE	Pooled property	BNP Paribas/Anley Trustees

Manager Remuneration

Manager remuneration is made up of a combination of fees based on the value under management with some managers receiving performance fees for investment performance in excess of agreed benchmarks.

Corporate Governance - Stewardship and voting

The Trustee supports the principles of good corporate governance and believes that managers should have policies which promote this. It has given its managers full discretion in respect of exercising rights, including voting rights, in relation to the Fund's investments.

Regular reviews were undertaken by the Trustee to monitor the voting of equity fund managers as well as corporate governance activities where relevant up until the cessation of the fund.

Corporate Governance - Environmental, Social and Governance ('Sustainability') considerations

The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee believes that the integration of these factors within investment managers' investment processes is aligned to the risk and the sustainable long-term expected returns from the Fund's investments. All the managers are encouraged to take these into account within their respective investment processes. During 2022, the Participating Schemes produced their first climate related financial disclosures. The Task Force on Climate-related Financial Disclosures (TCFD) disclosure guidelines cover risk management, governance, strategy and metrics - which the participating schemes must report against annually. As part of this process the Schemes updated investment beliefs and policy statements which in form the process by which the Trustee invests.

Review of the Marketability and Liquidity of the Assets

The Trustee believes that investments held in securities quoted on the UK and overseas stock exchanges and other unitised vehicles were readily realisable as at the year end. Other investments in property are less marketable and held for the longer term. The Fund has sufficient liquidity for the foreseeable future.

Review of the Diversification of the Investments

The Fund's assets are held in a wide range of investments. The allocation of the total assets between asset classes and geographical locations are regularly reviewed by the Trustee and revised as necessary. The Trustee also regularly reviews the diversification between managers.

Review of Self Investments

When selecting investment funds, the Trustee considers the exposure it has to GlaxoSmithKline plc or subsidiary companies (the "GSK Group") to ensure the employer related investment regulations that apply to Participating Schemes are not at risk of being breached. The Trustee has at times actively chosen to exclude investment in the GSK Group even where there is not a regulatory requirement in the Participating Schemes to exclude self investment in certain pooled fund structures. Further details of any direct or indirect investments in the GSK Group are given in note 17 to the Financial Statements.

Global economies and geopolitical developments

Global economies and geopolitical developments can always pose a risk to investments. With regards to tensions related to China / Taiwan, the vast majority of global businesses, and particularly manufacturers, are reliant on China for at least some portion of their supply chains and wider operations. This means that even if efforts were taken to reduce or sell all Chinese equity holdings, China would still have significant influence in the portfolio through its links with companies that run out of other markets and therefore forms part of the inherent risk of investing for longer term growth, which is managed by investing across a diverse selection of asset types and regions.

Review of Investment Operational Risk

The Trustee has a series of controls over the activities of the investment managers and the custodian. The key controls are as follows:

- Monthly reviews of custodian versus investment manager reconciliations.
- Reviews of internal controls reports.
- Quarterly reviews of performance against benchmarks and agreed targets.
- Periodic service meetings.
- Due diligence on new manager appointments.

There are also regular reviews by the investment adviser, Cardano.

The Trustee also operates a formal risk management programme. The main controls in place over key risks are documented, monitored and reported upon. Advisers are monitored in accordance with service level agreements and reports are made to the Trustee as to their performance. Each adviser is reviewed on a regular basis.

TCFD Statement

The Task Force on Climate-related Financial Disclosures (TCFD) report for the participating schemes is available on the GSK pensions website (https://www.gskpensions.co.uk/governance/index.html).

Contact for further information

Enquiries about the Fund should be sent to:

Secretary to the Trustee
GSK Common Investment Fund
10th Floor
GSK House
980 Great West Road
Brentford
Middlesex TW8 9GS
Email: GSK.UKPensionsFinance@gsk.com

The Trustee's Report is approved and signed by the Trustee.

Tom Houston		**Trustee Director**
Name	**Signature**	**Title**

31/5/2023

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE GSK COMMON INVESTMENT FUND

YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of the GSK Common Investment Fund (the 'Fund') for the year ended 31 December 2022, which comprise the fund account, the statement of net assets available for benefits and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year in accordance with United Kingdom Generally Accepted Accounting Practice and the requirements of the Trust Deed and Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Fund's operating model including effects arising from macro-economic uncertainties such as the effects of economic policies announced by the UK government in September 2022 and the cost-of-living crisis, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee for the financial statements

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant is the Financial Reporting Standard 102 (FRS 102).
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee Board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.
- We assessed the susceptibility of the Fund's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements.

We determined that the principal risks were in relation to:

- the risk of management override of controls through posting inappropriate journal entries to manipulate results and net assets for the year.
- the valuation of the property investment assets using a method not permitted under the SORP and FRS102.

Our audit procedures involved journal entry testing and using property valuation specialists. This included:

- manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets,
- journals posted to suspense accounts and,
- journals with blank description,
- we utilised our internal experts to assess the reasonableness of the valuation of a sample of the property assets.

We obtained independent confirmations of material investment valuations and cash balances at the year end. We completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of Funds of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and understanding of the sector the underlying applicable legislation and related guidance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's Trustee, as a body, in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 31/5/2023

GSK COMMON INVESTMENT FUND

FUND ACCOUNT

YEAR ENDED 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Transactions with participating schemes	5	**(2,423.8)**	(105.1)
Transactions with participating schemes		**(2,423.8)**	(105.1)
Returns on investments			
Investment income	6	**10.6**	8.6
Change in market value of investments	7	**(645.3)**	715.6
Investment management expenses	9	**(5.5)**	(6.6)
Net return on investments		**(640.2)**	717.6
Net (decrease)/increase in the fund during the year		**(3,064.0)**	612.5
Net assets of the Fund			
At 1 January		**6,007.9**	5,395.4
At 31 December		**2,943.9**	6,007.9

The notes on pages 17 to 30 form part of these financial statements.

GSK COMMON INVESTMENT FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Investment assets	**7**		
Property	**10**	**209.4**	228.6
Pooled investment vehicles	**11**	**2,703.9**	5,639.9
Cash and cash equivalents	**12**	**26.6**	137.9
Accrued income and tax recoverable	**13**	**0.1**	0.1
		2,940.0	6,006.5
Current assets	**18**	**13.2**	7.4
Current liabilities	**19**	**(9.3)**	(6.0)
Net assets of the Fund at 31 December		**2,943.9**	6,007.9

The financial statements on pages 15 to 30 were approved by the Trustee and signed on its behalf by:

Mark Ashworth		**Trustee Director**
Name	**Signature**	**Title**

Tom Houston		**Trustee Director**
Name	**Signature**	**Title**

31/5/2023

The notes on pages 17 to 30 form part of these financial statements.

1. General information

The GSK Common Investment Fund (the "Fund") is established under trust in the United Kingdom, under English Law.

The Fund was established to act as an investment vehicle for the Participating Schemes. The address of the Fund's principal office is GSK House, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

The Fund has been approved by HMRC as a Fund which is, for the purposes of UK tax, transparent. The investments in the Fund are therefore essentially treated in the same way as if they were held by the Participating Schemes directly. This means that the income and capital gains earned by the Fund receive preferential tax treatment.

2. Basis of preparation

The Fund exists solely to provide a private pooling arrangement for the investments of the Participating Schemes. The Trustee therefore considers that the Fund does not meet the definition of a Financial Institution, as defined in FRS102.

The financial statements have been prepared on a going concern basis as the Trustee continues to believe this to be an appropriate basis as there is no intention to wind up the Fund. The financial statements of the participating schemes have been prepared on a going concern basis as the Trustees continue to believe this to be an appropriate basis as there is sufficient liquidity of assets to meet participating schemes cashflow requirements for greater than 12 months from signing date.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

a) Valuation of investments

All investments are held at fair value, and the change in market value is the realised and unrealised gains and losses on the investments.

- Investments in pooled arrangements which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are stated at the bid price provided by the manager, otherwise the closing single price or dealing price is used. Otherwise, the latest available valuation pre-year end for weekly and monthly priced funds.

- Investments in more complex pooled investment vehicles which are unquoted or not actively traded on a quoted market are valued using the latest available Net Asset Value (NAV) determined in accordance with fair value principles provided by the pooled investment manager.

Summary of significant accounting policies (continued)

- Direct properties are shown at their market value at the year end as provided by the independent qualified valuer, Jones Lang Lasalle who is RICS Registered. The portfolio is valued by Jones Lang Lasalle on a quarterly basis. The market value is calculated in accordance with the RICS Valuation - Global Standards (effective 31 January 2022) and the methodology used is the investment approach whereby the valuer applies a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams having regard to the individual characteristics of the properties including their letting status and their locations. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance has been reflected in the valuation. Where land is held for development, we adopt the comparison method when there is good evidence, and/or the residual method particularly on more complex and bespoke proposals.
  No depreciation is provided on freehold buildings or long leasehold properties.

- Indirectly held properties, which are held in pooled investment vehicles, are included at net asset value (NAV) as advised by the investment manager which is based on the latest available valuation of the underlying investments in those vehicles.

- No depreciation is provided on freehold buildings or long leasehold properties.

b) Purchases and sales

- Purchases are shown at cost plus any associated costs of acquisition, and subsequent expenses related to development costs.

- Sales are shown at selling price less any associated costs of selling.

c) Transactions with Participating Schemes

- Amounts received or payments made on behalf of the Participating Schemes are accounted for in the period in which they are received or paid.

d) Unitisation of the Fund

- Units are issued and redeemed at prices calculated by BNYM at the month end prior to the issuance or redemption. Amounts received from or paid on behalf of the Participating Schemes are, on a monthly basis, used to create or redeem units at the prevailing unit price and recognised as capital contributions or withdrawals from the Fund.

e) Investment income

- Income from equities is included in the financial statements on the date that the securities become ex-dividend.

- In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, the income is included within change in market value. If income is distributed it is shown within investment income. The income is recognised on an accrual basis.

- Rental income and property expenses are accounted for on an accruals basis.

- Lease incentives on property are recognised on a straight line basis over the lease term, the unallocated lease incentives are recognised as rent free debtor in the balance sheet.

- Interest receivable on cash deposits is accounted for on an accruals basis.

Summary of significant accounting policies (continued)

- Other investment income is accounted for on an accruals basis.

f) Stock lending

- The custodian is authorised to release stock to a third party under stock lending agreements, however, the Fund has no direct holdings of stock, and therefore no stock lending has been carried out.

g) Foreign currencies

- The Fund's functional currency and presentational currency is pounds sterling.

- Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the exchange rate at the date of the transaction.

- Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

h) Investment management and other expenses

- These are accounted for on an accruals basis. The investment performance fees are accounted for on a paid basis.

Key accounting estimates and judgements

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the directly held property holdings and the complex pooled investment vehicles. Explanation of the key assumptions underpinning the valuation of investments are included within note 14.

4. Participants in the Fund

The table below gives a breakdown of the value of assets of the Fund between the Participating Schemes.

	2022	2021
	£m	£m
GSK Pension Scheme	**1,378.5**	2,759.8
GSK Pension Fund	**767.6**	1,502.9
SmithKline Beecham Pension Plan	**797.8**	1,745.2
	2,943.9	6,007.9

5. Transactions with participating schemes

	2022	2021
	£m	£m
Creation of units (from receipt of funds from Participating Schemes)	**(423.6)**	(483.9)
Redemption of units (from payments made on behalf of Participating Schemes)	**2,847.4**	589.0
	2,423.8	105.1

Amounts received in respect of or paid on behalf of Participating Schemes represent the combined investments or withdrawals from the Participating Schemes.

6. Investment income

	2022	2021
	£m	£m
Net rents from properties	**8.5**	8.1
Other income	**–**	0.1
Dividends from equities	**(0.2)**	(0.5)
Income from pooled investment vehicles	**0.2**	0.9
Interest on cash deposits	**2.1**	–
	10.6	8.6

Net rents received from properties is stated after deducting £5.1m (2021: £2.9m) of property related expenses.

The negative dividends from equities income is due to historically held equities tax reclaims write-offs of £0.2m (2021: £0.5m).

7. Reconciliation of investments

	Value as at 31 Dec 2021 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value as at 31 Dec 2022 £m
Property	**228.6**	**29.5**	**(15.3)**	**(33.4)**	**209.4**
Pooled investment vehicles	**5,639.9**	**1,482.2**	**(3,806.5)**	**(611.7)**	**2,703.9**
	5,868.5	**1,511.7**	**(3,821.8)**	**(645.1)**	**2,913.3**
Cash and cash equivalents	**137.9**			**(0.2)**	**26.6**
Other investment balances	**0.1**			**–**	**0.1**
	6,006.5			**(645.3)**	**2,940.0**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales during the year.

8. Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from the sale proceeds in the reconciliation in note 7.

Direct transaction costs incurred are analysed as follows:

	2022 £m		2021 £m	
	Property	**Total**	Property	Total
Fees	**0.7**	**0.7**	0.3	0.3
Stamp duty	**1.7**	**1.7**	-	-
Total	**2.4**	**2.4**	0.3	0.3

Indirect costs are incurred on pooled investment vehicles. Such costs are taken into account in calculating the bid-offer spread of these investments and are not separately reported.

9. Investment management expenses

	2022 £m	2021 £m
Investment management fees	**4.3**	5.2
Professional fees	**1.1**	0.7
Custodian and accounting fees	**0.1**	0.1
Investment performance fees	**–**	0.6
	5.5	6.6

9. Investment management expenses *(continued)*

Included in Professional fees is Investment Consulting fees of £0.5m (2021: £0.3m) and Audit fees of £0.03m (2021: £0.03m).

10. Property

	2022	2021
	£m	£m
Direct		
Freehold	**208.7**	227.9
Leasehold	**0.7**	0.7
	209.4	228.6

11. Pooled investment vehicles

The holdings in pooled investment vehicles are analysed below.

	2022	2021
	£m	£m
Equity	**1,350.8**	3,953.3
Property	**251.2**	271.6
Multi asset funds	**1,101.9**	1,415.0
	2,703.9	5,639.9

The property investments are less marketable and are held for the longer term.

LGIM announced that from 1 November 2022, they would be deferring requests for unit sales from their Managed Property Fund until further notice. This was as a result of extreme market volatility which prompted a higher than usual level of sale requests. This approach was required to protect the majority of clients in the Fund who wish to remain as long-term investors and will allow the Fund to maintain sufficient working capital, deliver on income-enhancing capital projects and ensure an appropriate time to crystalise asset sales in an orderly fashion.

At the year end, and subsequent to the year end, there has been no restrictions imposed on the trading of any other assets.

12. Cash and cash equivalents

	2022	2021
	£m	£m
Cash assets		
Cash and cash equivalents	**26.6**	137.9

13. Accrued income and tax recoverable

	2022	2021
	£m	£m
Other investment balances assets		
Accrued income	**0.1**	0.1

14. Fair value determination

The fair value of investment assets and liabilities has been determined using the following hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The analysis for the current year end and prior year end is as follows:

	At 31 December 2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Property	**–**	**–**	**209.4**	**209.4**
Pooled investment vehicles	**211.4**	**2,491.6**	**0.9**	**2,703.9**
Cash and cash equivalents	**26.6**	**–**	**–**	**26.6**
Other investment balances	**0.1**	**–**	**–**	**0.1**
	238.1	**2,491.6**	**210.3**	**2,940.0**

	At 31 December 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Property	–	–	228.6	228.6
Pooled investment vehicles	–	5,638.7	1.2	5,639.9
Cash and cash equivalents	137.9	–	–	137.9
Other investment balances	0.1	–	–	0.1
	138.0	5,638.7	229.8	6,006.5

Direct property holdings are valued by Jones Laing LaSalle, in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The principal assumptions on which the direct properties valuations were based were rental income from current tenants, the remaining terms of the current leases and market rents by area for the locations in which the properties were based.

For level 3 pooled investment vehicles (indirect property funds excluding Unite UK Student Accommodation Fund), the investment manager appoints an independent external valuer who values the underlying properties at their market value, which is calculated in accordance with the RICS valuation - Global Standards (effective 31 January 2022). The methodology used by the valuer is to apply a capitalisation rate, as a multiplier, against the current, and, if any, reversionary income streams having regard to the individual characteristics of the properties including their letting status and their locations.

The indirect property fund, Unite UK Student Accommodation Fund has been classified at level 2 as it is valued quarterly, it is open ended and there were no redemption restrictions in place as at 31 December 2021 and 31 December 2022.

15. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy which is described in the Investment Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolio. Further information on the Trustee's approach to risk management and Fund's exposures to credit and market risks is set out below and applies at both the current and previous year end unless otherwise stated.

Credit Risk

The Fund invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. Direct credit risk also arises where the Fund holds cash and cash equivalent balances.

A summary of exposures to direct credit risk is given in the following table. The notes below explain how this risk is managed.

	2022			2021		
	Investment grade	**Unrated**	**Total**	Investment grade	Unrated	Total
	£m	**£m**	**£m**	£m	£m	£m
Pooled investment vehicles	**–**	**2,703.9**	**2,703.9**	–	5,639.9	5,639.9
Cash and cash equivalents	**26.6**	**–**	**26.6**	137.9	–	137.9
Total	**26.6**	**2,703.9**	**2,730.5**	137.9	5,639.9	5,777.8

15. Investment risk disclosures *(continued)*

The Fund's holdings in pooled investment vehicles are unquoted and therefore are not investment grade rated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets in the pooled arrangements being ring-fenced from the pooled managers own funds, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee also carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis, monitors any changes to the regulatory and operating environment of the pooled managers.

Cash and cash equivalents are held within financial institutions which are at least investment grade credit rated. Direct credit risk is further mitigated by limiting the amount of cash and cash equivalents that can be held with any one financial institution.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2022	2021
	£m	£m
Unit Linked insurance contracts	**1,591.9**	3,449.1
Authorised unit trusts	**10.2**	9.9
Open ended investment companies	**211.4**	1,115.8
Shares of limited liability partnerships	**890.4**	1,065.1
Total	**2,703.9**	5,639.9

Indirect credit risk

The Fund suffers indirect credit risk arises in relation to multi asset pooled investment vehicles where underlying assets may include bond and credit assets and also in equity pooled investment vehicles where underlying investments may include fixed income securities and derivatives. Rental income from properties, whether held directly or through pooled investment vehicles also introduces indirect credit risk.

The indirect credit risk is managed by constructing a diverse portfolio of investments across multiple markets and asset diversification by the investment managers.

15. Investment risk disclosures *(continued)*

Currency Risk

Direct currency risk arises where investments are held in overseas markets and where pooled investment vehicles are denominated in currencies other than sterling.

The Fund's total net unhedged currency exposure by major currency was as follows. The note below explains how the risk is managed.

Currency	**2022**	2021
	£m	£m
Euro	**211.4**	–
US Dollar	**479.9**	555.5
Total	**691.3**	555.5

The Trustee manages currency risk through the spread of equity investments across different geographical locations, and also in some cases, invests in the currency hedged share classes of pooled equity funds.

Indirect currency risk arises in relation to pooled investment vehicles (whether denominated in sterling or foreign currencies) where the underlying investments are made in overseas markets.

Interest rate risk

Direct interest rate risk arises where the Fund holds cash and cash equivalents.

A summary of exposures to direct interest rate risk is given in the following table. The note below explains how this risk is managed.

	2022	2021
	£m	£m
Cash and cash equivalents	**26.6**	137.8

Cash and cash equivalents are held within financial institutions which are at least investment grade credit rated. Direct interest rate risk is further mitigated by limiting the amount of cash and cash equivalents that can be held with any one financial institution.

Indirect interest rate risk also arises in relation to multi asset pooled investment funds where underlying assets may include bond and credit assets and in equity pooled investment vehicles where underlying investments may include fixed income securities.

The Trustee manages indirect interest rate risk exposure by constructing a diverse portfolio of investments across multiple markets.

15. Investment risk disclosures *(continued)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Fund holds various return seeking assets for the defined benefit sections of the participating schemes. Return seeking assets where investments are held in assets such as equities, multi asset funds and property are exposed to other price risk. The value of equities can be volatile especially in the short term. Properties are exposed to other price risks in relation to rental and sale values which are determined by the strength of the market and investment yields which can fluctuate due to investment demand. The value of property is generally a matter of the valuer's opinion rather than fact.

The portfolio is valued quarterly at each quarter end by an appropriately qualified RICS valuer reflecting market conditions as at that date. There continues to be uncertainty in property markets and conditions could move rapidly impacting values in the future. This volatility risk is mitigated through the portfolio being diverse and split between different property sectors.

The value of the Fund's pooled investment vehicles may be affected by the level of withdrawals from the funds and also by uncertainties such as international political developments, market sentiment and volatility, economic conditions, changes in government policies, restrictions on foreign investment and currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.

The Trustee manages exposure to overall price movements by constructing a diverse portfolio of investments across multiple markets.

The Trustee aims to mitigate interest rate and inflation risk through investments in liability matching assets, such as index linked gilts, buy-in policies and cash and cash equivalents and also through the derivative based hedging programme. The liability matching assets and the derivative based hedging programmes are held within each of the participating schemes.

16. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Fund:

	2022		2021	
	£m	**%**	£m	%
Farallon FC0I II Currency Class Fund	**479.9**	**16.3**	556.0	9.2
Legal & General Low Carbon Fund	**477.0**	**16.2**	533.0	8.9
Legal & General North America Equity Index Fund	**456.7**	**15.5**	871.2	14.5
Bridgewater Optimal Portfolio II Fund	**410.6**	**13.9**	510.0	8.5
Amundi Multi-Strategy Growth Funds	**211.4**	**7.2**	–	–
Legal & General Europe (Ex UK) Equity Index Fund	**147.1**	**5.0**	310.0	5.2
Legal & General North America Equity Index	**–**	**–**	437.0	7.3
Egerton Capital Equity Fund Class I	**–**	**–**	422.0	7.0
Aviva Multi Strategy Target Return Fund	**–**	**–**	350.0	5.8
Legal & General World Emerging Markets	**–**	**–**	346.0	5.8

The investments in the table above are pooled arrangements which have multiple underlying assets none of which exceed 5% of the net assets of the Fund.

17. Employer related investments

The Occupational Pension Schemes (Investment) Regulations 2005 limit the total investment by a pension scheme in its sponsoring group to 5% of the scheme's total assets at market value. Although not a pension scheme, the Fund abides by these regulations at all times in order to ensure its Participating Schemes comply with all relevant self investment regulations.

There were no direct investments in the GSK Group at the year end or the previous year end. The Trustee recognises that indirect investment in the GSK Group is possible through holdings in pooled investment vehicles.

Based on information provided by the investment managers the Trustee believes that the indirect exposure at 31 December 2022 under the above regulations was 0.00% (2021: 0.00%) and on a full look through basis was 0.02% (2021: 0.08%). Therefore, the Fund's total direct and indirect investment in the GSK Group at 31 December 2022 and 31 December 2021 was less than 5% of the Fund's net assets.

18. Current assets

	2022	2021
	£m	£m
Other debtors	**1.3**	0.7
Property rents receivable	**1.9**	1.8
VAT due from HMRC	**1.9**	–
Cash balances	**8.1**	4.9
	13.2	7.4

19. Current liabilities

	2022	2021
	£m	£m
Fees due to investment managers	**2.0**	1.5
Accruals for administration costs	**0.2**	0.1
Property rents received in advance	**3.4**	2.7
VAT creditors	**1.4**	1.4
Other creditors	**2.0**	0.1
Due to GSK Services Unlimited	**0.3**	0.2
	9.3	6.0

20. Related party transactions

The following related party transactions are disclosable:-

Key management personnel of the Fund

During the year, three of the Trustee Directors (2021: two) and the spouse/partner of two of the Trustee Directors (2021: two) were paid a pension from the Participating Schemes relating to their employment with the GSK Group. These benefits were paid in accordance with the Trust Deed and Rules governing the relevant scheme from which benefits were paid.

In addition, two Trustee Directors (2021: three) received remuneration and benefits from the GSK Group relating to their ongoing employment with the GSK Group during the year.

During the year the Participating Schemes received pension contributions in respect of two Trustee Directors (2021: two) who were employees of the GSK Group.

During the year fees totalling £0.15m (2021: £0.1m) were paid to six of the Trustee Directors (2021: six) for their services as Trustee Directors. These fees are included within professional fees in note 9. In addition, six of the Trustee Directors (2021: six) received fees from the Participating Schemes for their services as Trustee Directors of those schemes. Amounts in respect of their services to other related Schemes are disclosed in the financial statements of those Schemes, from where these transactions arise, as appropriate.

Other related parties

During the year the Fund was charged £1.2m (2021: £1.0m) by GlaxoSmithKline Services Unlimited for the costs incurred by the Company in administering the Fund.

At the year end £0.3m (2021: £0.2m) was due to GlaxoSmithKline Services Unlimited in respect of costs paid on behalf of the Fund.

21. Contingent liabilities and contractual commitments

At 31 December 2022 there were contractual capital commitments of £22.9m in a new Dalata Hotel to be constructed on Chapel Street, Salford, Manchester. Out of which £20.8m is expected to be paid in 2023, £1.8m is expected to be paid in 2024 and the balance of £0.3m is expected to be paid in 2025.

There is a £7.2m commitment in Shakespeare Hotel for an extension and refurbishment works on Chapel Street, Stratford-Upon-Avon. The payments are to be drawn in tranches in 2023.

22. Subsequent Events

There were no events subsequent to the year end which require disclosure in the Financial Statements.