

GSK PENSION SCHEME
CHAIR'S STATEMENT ON DC GOVERNANCE
Year ended 31 DECEMBER 2022

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.

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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

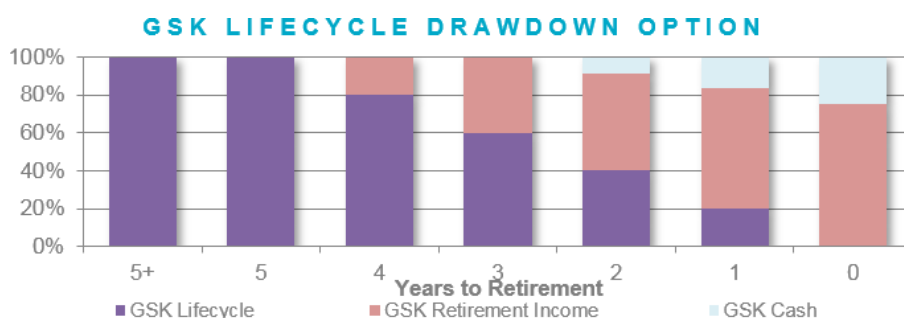
A default DC investment arrangement is provided for members who do not choose an investment option for their DC contributions. Members can also choose to invest in this default arrangement which is selected by the Trustee.

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

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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.

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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.

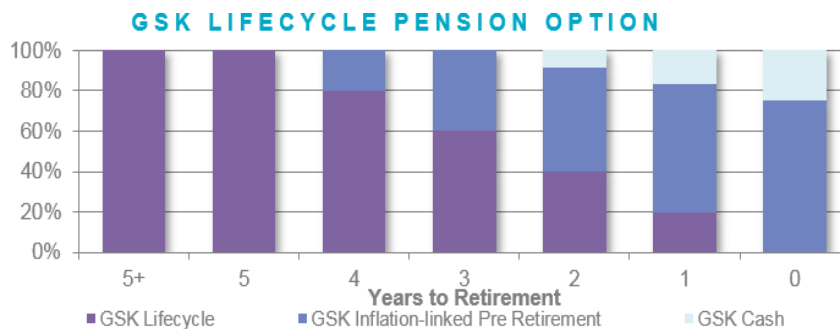
Given the importance of the default arrangements, the Trustee regularly reviews the arrangements, their component parts, and the performance of the funds (performance being reviewed quarterly by the JDCC).

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.

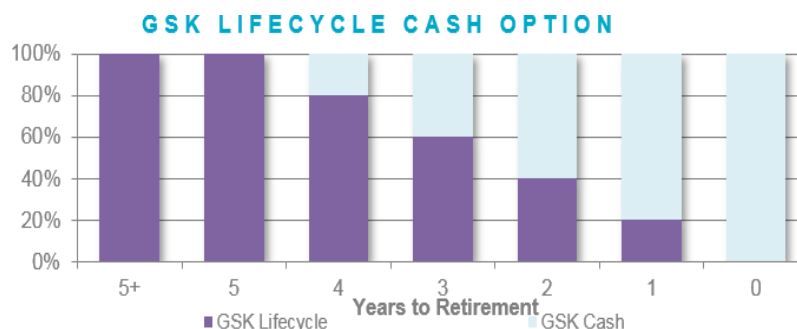
Other Lifecycle Funds available

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

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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 administrators, 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.

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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.

For the GSKPP Section, 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

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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

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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.

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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 (%)
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	Charge (% p.a.)	
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.

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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

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Projected Pot sizes in Today's Money						
Year End	GSK Lifecycle Pension Option		GSK Lifecycle (pre-2014) Option		GSK Lifestyle Cash Option	
	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

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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;

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- 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.	Trustee Training Day

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	<p>Communication strategy training, covering engagement, behavioural psychology and tone of voice.</p> <p>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.</p> <p>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.</p> <p>Highly effective Boards training, covering the characteristics of high performing Boards, an overview of tPR's standards and a model for effective teams.</p>	
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

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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: