

**SMITHKLINE BEECHAM PENSION PLAN**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**SCHEME REGISTRATION NUMBER: 10096663**

## **SMITHKLINE BEECHAM PENSION PLAN**

### **CONTENTS**

**YEAR ENDED 31 DECEMBER 2022**

---

<b>Contents</b>	<b>Page</b>
Trustee and Advisers	<b>1</b>
Trustee's Report	<b>3</b>
Actuarial Certificate	<b>23</b>
Summary of Contributions	<b>24</b>
Independent Auditors' Statement about Contributions	<b>25</b>
Independent Auditors' Report	<b>26</b>
Fund Account	<b>30</b>
Statement of Net Assets Available for Benefits	<b>31</b>
Notes to the Financial Statements	<b>33</b>
Appendix	
Chair's Statement on DC Governance	
SIP Implementation Statement	
Annual report and Financial Statements for the GSK Common Investment Fund	

---

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S AND ADVISERS****YEAR ENDED 31 DECEMBER 2022**

---

<b>Principal employer</b>	SmithKline Beecham Limited
<b>Participating employers</b>	GlaxoSmithKline Services Unlimited GlaxoSmithKline Consumer Healthcare (UK) Trading Limited (terminated 31 March 2022) Galvani Bioelectronics Limited.
<b>Trustee</b>	SmithKline Beecham Pension Plan Trustee Limited
<b>Trustee directors</b>	<b>Independent Director</b>  The Law Debenture (JIC) Pension Trust Corporation - represented by Mr Keith Scott  <b>Company Appointed Directors</b>  Ms Moira Beckwith Mr Keith Bradford Mr Tom Houston (Chairman)  <b>Member Nominated Directors</b>  Mr David Wiggins Ms Geraldine Flavell
<b>Secretary</b>	Ms Caroline Lyons (appointed 1 April 2022) Mr James Chemirmir (resigned 31 March 2022)
<b>Scheme administrator</b>	Towers Watson Limited (trading as WTW)
<b>Accounting and Trustee support</b>	Towers Watson Limited (trading as WTW)
<b>Actuary</b>	Mr Jonathan Gainsford FIA Partner in the firm of Aon Solutions UK Limited
<b>Independent auditors</b>	Grant Thornton UK LLP
<b>Legal advisers</b>	Simmons & Simmons LLP
<b>Investment adviser</b>	<b>Defined Benefit</b>  Cardano Risk Management Limited  <b>Defined Contribution</b>  Mercer Limited
<b>Liability hedging manager</b>	Legal and General Assurance (Pensions Management) Limited
<b>Investment managers</b>	Legal and General Assurance (Pensions Management) Limited PIMCO Europe Limited ("PIMCO") (appointed 4 March 2022)

---

**SMITHKLINE BEECHAM PENSION PLAN**

**TRUSTEE'S AND ADVISERS** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

<b>Custodian</b>	The Bank of New York Mellon (International) Limited
<b>AVC manager</b>	Legal & General Zurich Life Prudential Scottish Friendly
<b>Covenant adviser</b>	Penfida Limited
<b>Bankers</b>	HSBC plc Lloyds TSB Bank plc
<b>Performance measurement</b>	The Bank of New York Mellon (International) Limited

## SMITHKLINE BEECHAM PENSION PLAN

### TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2022

#### Background to GSK UK Pensions

The SmithKline Beecham Pension Plan 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
<b>GSK Pension Scheme (GSKPS)</b> known as the Glaxo Group Pension Scheme until 31 October 1996 and then Glaxo Wellcome Pension Scheme until 31 December 2001.	<b>GWPP*</b> - admitted new members until 31 December 2001. It provides both defined benefit and defined contribution benefits: <b>a) Defined benefit section</b> - 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>b) Defined contribution section</b> - 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. <b>GSK Pension Plan (GSKPP)</b> - 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.
<b>GSK Pension Fund (GSKPF)</b> known as the Wellcome Group Pension Fund until 31 October 1996 and then as Glaxo Wellcome Pension Fund until 31 December 2001.	<b>GWPP*</b> - admitted new members until 1 November 1996. It provides both defined benefit and defined contribution benefits: <b>a) Defined benefit section</b> - 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>b) Defined contribution section</b> - for existing members of the defined benefit section at 31 October 1996 who could switch to defined contribution benefits.
<b>SmithKline Beecham Pension Plan (SBPP)</b>	<b>a) Defined benefit section</b> - closed to new entrants from April 1997. <b>b) Defined contribution section</b> - 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 <b>GSK Pension Scheme (GSKPP section)</b> for future service.
<b>SmithKline Beecham Senior Executive Pension Plan (SBSEPP)</b>	<b>a) Defined benefit section</b> - closed to new entrants with effect from 31 December 2001. <b>b) Defined contribution section</b> - for existing members of the defined benefit section who paid AVCs or transferred benefits in on a defined contribution basis.
<b>Glaxo Wellcome Contracted-Out Money Purchase Scheme (GWCOMPS)</b>	<b>a) Defined contribution section</b> - 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.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **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 SmithKline Beecham Pension Plan ("the Plan"). The Plan was established to provide retirement benefits to certain groups of employees within the GSK plc group.

The Plan 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. In addition, it has a Defined Contribution section ("DC") which is closed to new members.

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

##### **Trustee**

The Trustee during the year and at the date of this report was SmithKline Beecham Pension Plan Trustee Limited ("the Trustee").

The provisions for appointing and removing Trustee Directors from office are set out in the Articles of Association of the Trustee, as modified by the Plan's Member Nominated Director policy.

The Trustee Directors are comprised of:

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

The Company Appointed Trustee Directors, and the Independent Trustee Director, are appointed and removed by GlaxoSmithKline Services Unlimited ("the Company").

The Member Nominated Trustee Directors are drawn from the membership. Member Nominated Trustee Directors are normally appointed for four years and can only be removed from office with the consent of all the other Trustee Directors.

The Trustee Board comprises of the 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 (2021: four) full board meetings during 2022 and thirteen (2021: thirteen) meetings of the various committees (see page 5).

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

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****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 Plan.

The Committees that are in place are as follows:

<b>*Committee</b>	<b>Role</b>	<b>Members (representing this Scheme)</b>
Joint Audit, Risk and Operations Committee	<ul style="list-style-type: none"> <li>• To oversee the relationship with the external auditors.</li> <li>• To review and approve the Financial Statements on behalf of the Trustee.</li> <li>• To monitor the risk management and control activity that is undertaken on behalf of the Trustee.</li> <li>• To act on behalf of all of the GSK UK Schemes.</li> </ul>	Mr Keith Bradford Mr David Wiggins
Joint Defined Contribution Committee	<ul style="list-style-type: none"> <li>• To monitor the provision of defined contribution benefits.</li> <li>• To take investment decisions in respect of Defined Contribution investments which have been formally delegated to it by the Trustee</li> <li>• To act on behalf of all of the GSK UK Schemes.</li> </ul>	Ms Moira Beckwith Ms Geraldine Flavell Ms Sandra Humphrey
Joint Investment Committee	<ul style="list-style-type: none"> <li>• To take investment decisions in respect of Defined Benefit investments which have been formally delegated to it by the Trustee.</li> <li>• To act on behalf of all of the GSK UK Schemes.</li> </ul>	The Law Debenture (JIC) Pension Trust Corporation represented by Mr Keith Scott Mr Tom Houston
Joint Special Situations Committee	<ul style="list-style-type: none"> <li>• To consider any corporate activities which impact the Plan.</li> </ul>	The Law Debenture (JIC) Pension Trust Corporation represented by Mr Keith Scott Mr Keith Bradford Mr Tom Houston

\*The Committees are joint with GSKPS, GSKPF and GWCOMPS and as such, have additional members representing these schemes.

**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.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

##### **Changes to the Plan rules during the year**

The SBPP was closed to future pension accrual with effect from 31 March 2022 by means of a deed of amendment dated 25 March 2022.

A further deed of amendment dated 11 October 2022 amended the SBPP to equalise the sex inequalities created by the provision of Guaranteed Minimum Pensions.

##### **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.

SmithKline Beecham Pension Plan, 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 £130.13 million (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.

As at 31 December 2022, total cash contributions totalling £41m were made towards the Proceeds Threshold leaving a principal amount of £89.1m outstanding to the Scheme.

##### **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.

##### **Administration of the Plan**

The Trustee has delegated the day to day administration of the Plan to WTW.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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 Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Plan will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Plan 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 Plan 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](http://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 Plan by or on behalf of employers and the active members of the Plan 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 Plan and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Plan 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.

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****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	267	5,245	11,637	<b>17,149</b>
Adjustments to prior period*	(6)	38	39	<b>71</b>
New entrants**	–	–	118	<b>118</b>
Members leaving with deferred benefits	(244)	244	–	<b>–</b>
Members retiring	(17)	(302)	319	<b>–</b>
Full commutation	–	(24)	(24)	<b>(48)</b>
Deaths	–	(17)	(444)	<b>(461)</b>
Cessation of dependent pensions	–	–	(4)	<b>(4)</b>
Transfers out	–	(32)	–	<b>(32)</b>
<b>At 31 December 2022</b>	<b>–</b>	<b>5,152</b>	<b>11,641</b>	<b>16,793</b>

**Defined contribution section**

	Active members	Deferred members	Pensioners	Total
At 1 January 2022	–	3,967	–	<b>3,967</b>
Adjustments to prior period*	–	(2)	–	<b>(2)</b>
Members retiring	–	(7)	–	<b>(7)</b>
Deaths	–	(9)	–	<b>(9)</b>
Transfers out	–	(109)	–	<b>(109)</b>
<b>At 31 December 2022</b>	<b>–</b>	<b>3,840</b>	<b>–</b>	<b>3,840</b>
<b>Total membership</b>	<b>–</b>	<b>8,992</b>	<b>11,641</b>	<b>20,633</b>

\* 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 118 (2021: 122) in the defined benefit section includes 6 (2021: 7) defined contribution members who opted for an internal annuity.

There are 16 formerly defined benefit members who no longer accrue service but are covered for life assurance only. (2021: 21)

There are 1,918 spouses and 41 dependants included in the 11,641 pensioners as at 31 December 2022 (2021: 1,913 spouses and 34 dependants).

The Plan was closed to all active members with accrual ceasing 31 March 2022, so the 244 active members became deferred members in the Plan and there are no active defined benefit members as at 1 April 2022 (2021: 267).

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **Pension increases**

##### **Pensions in Payment - Pension Increase 1 January 2022**

Under the DB Section, the normal scale pensions in respect of service completed before 6 April 1997 are guaranteed to increase when in payment by 3% per annum or the increase in the Retail Prices Index (RPI) if lower. These guaranteed increases only apply to that part of the pension above any Guaranteed Minimum Pension (GMP) which is in payment. They do not apply to the pensions of members who left service before 1 November 1974. A discretionary increase of 3% was awarded to this element.

Scale pensions attributable to service completed after 5 April 1997 are guaranteed to increase when in payment by 5% per annum or the increase in RPI if lower.

Some members who left service before 1 May 1990 receive guaranteed increases on their pension in excess of the GMP of 3% per annum.

The GMP is the minimum pension which a scheme had to provide as one of the conditions of contracting-out of the State Second Pension (previously the State Earnings Related Pension Scheme), prior to 6 April 1997. When in payment that part (or the whole) of the GMP attributable to earnings after 5 April 1988 is increased in line with price inflation in accordance with statutory requirements, up to a maximum of 3% in any year.

Pensions of members who transferred from the Stafford-Miller Pension Fund as part of a bulk transfer are, insofar as they are attributable to service after 5 April 1997, guaranteed to increase when in payment in line with the RPI subject to a maximum in any year of (as the increase applies to pension for service up to 5 April 2005) 5% and (as it applies to pension for service after that date) 2.5%. The GMP also increases when in payment as above. Pensions in respect of service before 6 April 1997 does not increase as per the Rules but a discretionary payment of 3% applied.

Pensions in excess of GMPs for members who transferred from the Sterling-Winthrop Group Pension Plan as part of the bulk transfer, and who had already left service, are guaranteed to increase each year when in payment by 5% or the increase in RPI if lower, subject to a minimum increase of 3%. The whole of the GMPs for these members are increased when in payment by 3% each year.

Pensions of members who transferred to the Plan from the Stiefel Laboratories (UK) Limited Retirement Benefits Scheme in December 2011 are provided with the same increases as were guaranteed under that scheme.

Under the DC Section pensions in excess of the GMP will increase at the rate agreed with the Trustee when the pension was purchased.

The increases are awarded on 1 January each year. The RPI measure is determined by the movement in the index over the 12-month period ending in the preceding September which for 1 January 2022 was 4.9% (2021: 1.1%).

## SMITHKLINE BEECHAM PENSION PLAN

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

#### Pension increase (continued)

##### Preserved Pensions

Fixed rate statutory increases apply to deferred GMPs before they come into payment. The rate is fixed by law and it is for members who left service:

- on or after 6 April 2022, 3.25% a year
- between 6 April 2017 and 5 April 2012, 3.5% a year,
- between 6 April 2012 and 5 April 2011, 4.75% a year,
- between 6 April 2007 and 5 April 2012, 4% a year,
- between 6 April 2002 and 5 April 2007, 4.5% a year,
- between 6 April 1997 and 5 April 2002, 6.25% a year,
- between 6 April 1993 and 5 April 1997, 7% a year,
- between 6 April 1988 and 5 April 1993, 7.5% a year,
- before 6 April 1988, 8.5% a year.

Members who left service up to 31 December 1985 receive statutory increases on the GMP, but no increase on the balance of their pension before it comes into payment is guaranteed. For those members who left after 31 December 1985, but prior to 1 January 1991, that part of the balance of the pension which relates to service after 31 December 1984 is increased over the period of deferment in line with price inflation (up to a maximum of 5% per annum). For any element where revaluation is not applied as of right the company have agreed to apply discretionary revaluation. For leavers after 31 December 1990, the whole of the pension above the GMP is increased over the deferment period in line with price inflation, up to a maximum of (as the increase applies to pension for service before 6 April 2009) 5% per annum and (as the increase applies to the remainder of the pension) 2.5% per annum. These increases are governed by statute which provides for price inflation measured by reference to the Consumer Price Index (or before 1 January 2011 RPI) taking account of complete calendar years in the deferment period only.

The same increases as were guaranteed under the Stiefel Laboratories (UK) Limited Retirement Benefits Scheme are provided for former members of that scheme who were transferred to the Plan in December 2011.

##### Pensions Purchased with Additional Voluntary Contributions

Pensions purchased with Additional Voluntary Contributions do not qualify for increases other than those purchased on retirement.

##### Principal and Participating Employer

The Principal employer is SmithKline Beecham Limited. The participating employers are GlaxoSmithKline Services Unlimited and Galvani Bioelectronics Limited.

##### Transfers

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

##### GMP Equalisation

Further details can be found in note 35.

---

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****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.

<b>Valuation date</b>	<b>31 December 2020</b>	<b>31 December 2017</b>
	<b>£m</b>	<b>£m</b>
Value of technical provisions	<b>3,930</b>	3,510
Value of assets available to meet technical provisions	<b>3,810</b>	3,592
Surplus/(Deficit)	<b>(120)</b>	82
Assets as a percentage of technical provisions	<b>97%</b>	102%

Although there are no current plans to discontinue the Plan 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.

<b>Valuation date</b>	<b>31 December 2020</b>	<b>31 December 2017</b>
	<b>£m</b>	<b>£m</b>
Value of solvency liabilities	<b>4,712</b>	4,488
Value of assets available to meet solvency liabilities	<b>3,810</b>	3,592
(Deficit)	<b>(902)</b>	(896)
Assets as a percentage of solvency liabilities	<b>81%</b>	80%

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Plan 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.

## SMITHKLINE BEECHAM PENSION PLAN

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

#### Actuarial liabilities (continued)

##### Method

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

In reserving for death in service benefits, the approach adopted is to recognise the capital cost of these benefits over the service that each member would complete between joining the relevant scheme and the date the benefit is assumed to come into payment.

##### Significant actuarial assumptions

Discount interest rate: based on the published Bank of England fixed interest gilt yield curve plus 1.16% p.a. for 8 years reducing to 0.3% p.a. in five discrete steps.

For this valuation, the assets are assumed to be divided into five discrete tranches, with a process of annual, sequential de-risking of each tranche beginning on 1 January 2029.

Future Retail Price Inflation ("RPI"): is equal to the difference between the UK Government Fixed Interest and UK Government Index-linked yield curves.

Future Consumer Price Inflation ("CPI"): is derived at the valuation date by deducting 0.9% p.a. until 2030 and 0.1% p.a. thereafter from the RPI inflation assumption.

The difference between the long term assumption for RPI and CPI inflation may vary over time to reflect changing views of long term structural differences between the calculation of RPI and CPI inflation at the date subsequent calculations are carried out.

Pension increases: are derived from the RPI or CPI inflation assumptions appropriate to the benefit being valued, allowing for the maximum and minimum annual increase, and the fact that inflation varies from year to year.

Pension increases are assumed to follow those guaranteed under the Rules of the Plan.

##### Pay increases:

Members with Pensionable Salary of £30,000 or more - Pensionable Salary and Contribution Salary is assumed to increase at a maximum of 2% p.a.

Members with Pensionable Salary less than £30,000 - Pensionable Salary and Contribution Salary is assumed to increase in line with the RPI assumption plus an allowance for promotional increases, until it reaches £30,000. Once the member's Pensionable Salary and Contribution Salary reach £30,000 they are assumed to increase at a maximum of 2% p.a.

##### Mortality:

Post-retirement assumption for current males: 100% of the SAPS S3 male (All Lives All Amounts) tables with an allowance for improvements in mortality in line with CMI 2020 projections from 2013 (with Sk = 7.0, A = 0.5% and no weighting on the 2020 data) with a long-term rate of improvement of 1.75% p.a.

Post-retirement assumption for current females (excluding dependants pensions in payment): 100% of the SAPS S3 female (All Lives Middle Amounts) tables with an allowance for improvements in mortality in line with CMI 2020 projections from 2013 (with Sk = 7.0, A = 0.5% and no weighting on the 2020 data) with a long-term rate of improvement of 1.75% p.a.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

##### **Actuarial liabilities** (continued)

Post-retirement assumption for contingent males of female members: 105% of the SAPS S3 male (All Lives All Amounts) tables with an allowance for improvements in mortality in line with CMI 2020 projections from 2013 (with  $S_k = 7.0$ ,  $A = 0.5\%$  and no weighting on the 2020 data) with a long-term rate of improvement of 1.75% p.a.

Post-retirement assumption for current female dependants and contingent females of male members: 105% of the SAPS S3 female (All Lives Middle Amounts) tables with an allowance for improvements in mortality in line with CMI 2020 projections from 2013 (with  $S_k = 7.0$ ,  $A = 0.5\%$  and no weighting on the 2020 data) with a long-term rate of improvement of 1.75% p.a.

##### **GMP equalisation**

Approximate allowance made for the impact of GMP equalisation through the addition of:

- 0.9% to the calculated value of liabilities (excluding the provision for discretionary pension increase and discretionary revaluations) in respect of GMP equalisation for the current membership; and
- £2M in respect of past transfers out, based on £113m of transfers paid since 2000 and the uplift applicable to deferred pensioners of 1.7% (data prior to 2000 was not readily available but levels of transfer activity have historically been very low)

##### **Recovery plan**

The Plan was in deficit on a technical provisions basis as at 31 December 2020 and therefore a recovery plan was designed to eliminate the deficit by 20 January 2027. Contributions under the existing plan ceased from 25 March 2022.

These arrangements were formalised in a Schedule of Contributions which the Plan actuary certified on 25 March 2022. A copy of this certificate is included on page 23 of this Annual Report.

During the year under review deficit repair contributions of £41m were accelerated and paid early as agreed with the employer.

##### **Next full triennial valuation**

The next triennial valuation is at 31 December 2023.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **Investment management**

##### **Investment managers**

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

For the defined benefit section, the Plan 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 1 to this document and should be read in conjunction with this report.

Defined Contribution assets are also held by the Plan.

##### **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) and within the supporting Investment and Hedging Strategy document which sits alongside the SIP. At least two representatives of the Trustee will be members of the JIC and decisions regarding the Fund cannot be taken without at least one representative of the Trustee present.

The JIC has delegated management of the Plan'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 of the defined benefit and defined contribution sections.
- 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](http://www.gskpensions.co.uk)) or from the Secretary to the Trustee, whose contact details are shown on page 22.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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 investments, 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 Plan.
- 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 33.7% return seeking assets and 66.3% 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 Plan 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.

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****Return Seeking Assets**

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

<b>Type of asset</b>	<b>Nature of assets</b>
Equities	A combination of actively and passively managed equities with a number of investment managers.
Property	A combination of directly held and pooled UK property, and European 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.

**Liability Matching Assets**

The liability matching assets held in the Plan consist of the following types of assets:

<b>Type of asset</b>	<b>Nature of assets</b>
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

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 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 Plan.

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****Investment performance**

The overall investment performance for the Plan for the year was a decrease of 36.0% (2021: increase of 3.0%).

The performance of the Plan'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
<b>Return seeking</b>		%	%	%	%	%
Equities and equity options	GSK CIF/Plan	(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)
<b>Liability matching</b>						
Index linked bonds, corporate bonds and derivatives	Plan	(64.8)	n/a	n/a	(26.2)	(15.6)

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

The index linked bonds and the derivatives 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 and inflation. 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.

**Defined Contribution Assets**

The assets are held as follows:

<b>Manager</b>	
Legal & General Assurance (Pensions Management) Limited	<b>Pooled funds held in life assurance policies – unithised:</b> Current option available since March 2004.
Zurich Life Assurance Company Limited	<b>With - profits assurance policies:</b> This was an investment option until July 2009. No further contributions were paid in after July 2009 when the contributing members transferred into the GSK Pension Plan section of the GSK Pension Scheme.

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 Plan administrator at the address on page 22.

**SMITHKLINE BEECHAM PENSION PLAN****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****Defined Contribution Assets** *(continued)*

<b>Legal &amp; General Assurance (Pensions Management) Limited</b>	<b>1 year %</b>	<b>3 years (annualised) %</b>	<b>5 years (annualised) %</b>
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 Net **	(13.4)	n/a	n/a

\* The GSK Shariah Fund and the GSK Retirement Income Multi Asset Fund were introduced in 2018. Therefore five year performance data is not available.

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

**Investment Operational Policies****Management of the Plan's Assets**

The Trustee has delegated management of investments to professional investment managers which are listed on page 1. 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 Plan'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.

## SMITHKLINE BEECHAM PENSION PLAN

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

##### **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. 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 (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 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](http://gskpensions.co.uk)), which are periodically fed back to the Trustee.

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 Plan.

##### **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.

## SMITHKLINE BEECHAM PENSION PLAN

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

##### **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 Plan's liquidity and is satisfied that the Plan 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 Plan'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 Plan has a derivatives hedging portfolio which further diversifies risk of the total assets.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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.

#### **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.

#### **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. The Implementation 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 SmithKline Beecham Pension Plan website ([https://www.gskpensions.co.uk/governance/smithkline\\_beecham\\_pension\\_plan/index.html](https://www.gskpensions.co.uk/governance/smithkline_beecham_pension_plan/index.html))

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

#### **Employer-related investments**

Employer related investments are disclosed in note 29 of the Financial Statements.

#### **Chair's Statement on DC Governance**

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. The Chair's Statement of DC Governance is shown as an Appendix to the Annual Report and Financial Statements and forms part of this report.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **TRUSTEE'S REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

#### **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 Plan 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:

Willis Towers Watson  
PO Box 545  
Redhill, RH1 1YX  
Email: [gskpensions@willistowerswatson.com](mailto:gskpensions@willistowerswatson.com)  
Phone: 01737 227563

The Trustee's Report is approved and signed by the Trustee on 31/5/2023

Tom Houston  
**Name**

**Signature**

**Trustee Director**  
**Title**

## SMITHKLINE BEECHAM PENSION PLAN

### ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

---

#### Actuary's certification of Schedule of Contributions

Name of Scheme: SmithKline Beecham Pension Plan

Adequacy of rates of contributions

1. 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

2. 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 wound up.

Signature	Jonathan Gainsford	Date	25 March 2022
Name	Jonathan Gainsford	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Parkside House Ashley Road Epsom Surrey KT18 5BS	Name of Employer	Aon Solutions UK Limited

**SMITHKLINE BEECHAM PENSION PLAN****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 Plan by the Employers under the Schedules of Contribution certified by the Plan Actuary on 5 November 2018 and 25 March 2022 in respect of the Plan year ended 31 December 2022. The Plan Auditor reports on contributions payable under the schedules in their auditors' statement about contributions.

During the year ended 31 December 2022, the contributions payable under the Schedules of Contributions were as follows:

	Defined benefit section	Defined contribution section	Total
	£m	£m	£m
<b>Contributions payable under Schedules of Contributions</b>			
Employer core	1.3	–	<b>1.3</b>
Employer administrative expenses and PPF levies	3.6	–	<b>3.6</b>
Employer normal (salary sacrifice)	0.1	–	<b>0.1</b>
Employer augmentations	6.3	1.1	<b>7.4</b>
<b>Other Contributions in addition to those payable under Schedules of Contributions</b>			
Employer augmentations	0.2	–	<b>0.2</b>
Deficit repair contributions received in advance	41.0	–	<b>41.0</b>
Employer bonus (salary sacrifice)	–	0.6	<b>0.6</b>
Employer AVC (salary sacrifice)	–	0.2	<b>0.2</b>
<b>Total contributions per note 5 of the Financial Statements</b>	<b>52.5</b>	<b>1.9</b>	<b>54.4</b>

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:

**Tom Houston**  
Name

Signature

**Trustee Director**  
Title

**David Wiggins**  
Name

Signature

**Trustee Director**  
Title

31/5/2023

## **SMITHKLINE BEECHAM PENSION PLAN**

### **INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE SMITHKLINE BEECHAM PENSION PLAN**

**YEAR ENDED 31 DECEMBER 2022**

---

We have examined the summary of contributions to the SmithKline Beecham Pension Plan (the 'Plan') for the Plan year ended 31 December 2022 which is set out on page 24.

In our opinion, contributions for the Plan 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 Plan actuary on 5 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 Schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan 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 (set out on page 7), 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 Plan 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

**SMITHKLINE BEECHAM PENSION PLAN****INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SMITHKLINE BEECHAM PENSION PLAN****YEAR ENDED 31 DECEMBER 2022**

---

**Opinion**

We have audited the financial statements of the SmithKline Beecham Pension Plan (the 'Plan') 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 Plan 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 Plan 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 Plan'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 Plan to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Plan 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 Plan's financial resources or ability to continue operations over the going concern period.

## **SMITHKLINE BEECHAM PENSION PLAN**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SMITHKLINE BEECHAM PENSION PLAN** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

#### **Conclusions relating to going concern** (continued)

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 Plan'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 Plan'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 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.

---

## SMITHKLINE BEECHAM PENSION PLAN

### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SMITHKLINE BEECHAM PENSION PLAN *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

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 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 Fund 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 Plan'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 journal 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.

## SMITHKLINE BEECHAM PENSION PLAN

### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SMITHKLINE BEECHAM PENSION PLAN *(continued)*

#### YEAR ENDED 31 DECEMBER 2022

---

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 valuation of 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 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](http://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

**SMITHKLINE BEECHAM PENSION PLAN****FUND ACCOUNT****YEAR ENDED 31 DECEMBER 2022**

	Note	Defined benefit section 2022 £m	Defined contribution section 2022 £m	Total 2022 £m	Total 2021 £m
<b>Contributions and benefits</b>					
Employer contributions		52.5	1.9	54.4	26.6
Total contributions	5	52.5	1.9	54.4	26.6
Transfers in	6	–	0.4	0.4	0.3
		52.5	2.3	54.8	26.9
Benefits paid or payable	7	(128.2)	(4.2)	(132.4)	(125.3)
Payments to and on account of leavers	8	(11.8)	(11.3)	(23.1)	(32.4)
Administrative expenses	9	(6.2)	–	(6.2)	(5.4)
Other payments	10	0.1	–	0.1	(0.2)
		(146.1)	(15.5)	(161.6)	(163.3)
<b>Net withdrawals from dealings with members</b>		<b>(93.6)</b>	<b>(13.2)</b>	<b>(106.8)</b>	<b>(136.4)</b>
<b>Returns on investments</b>					
Investment income	11	26.0	–	26.0	26.8
Change in market value of investments	12	(1,335.6)	(20.3)	(1,355.9)	85.4
Investment management expenses	14	(2.2)	–	(2.2)	(1.7)
<b>Net return on investments</b>		<b>(1,311.8)</b>	<b>(20.3)</b>	<b>(1,332.1)</b>	<b>110.5</b>
<b>Net decrease in the fund during the year</b>		<b>(1,405.4)</b>	<b>(33.5)</b>	<b>(1,438.9)</b>	<b>(25.9)</b>
Transfers between sections	16	1.5	(1.5)	–	–
<b>Net assets of the Plan</b>					
At 1 January		3,767.0	202.9	3,969.9	3,995.8
<b>At 31 December</b>		<b>2,363.1</b>	<b>167.9</b>	<b>2,531.0</b>	<b>3,969.9</b>

The notes on pages 33 to 65 form part of these ANNUAL REPORT AND FINANCIAL STATEMENTS.

**SMITHKLINE BEECHAM PENSION PLAN****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
<b>Investment assets</b>	<b>12</b>				
Investment in GSK CIF		797.8	–	797.8	1,745.3
Bonds		1,656.6	–	1,656.6	2,023.2
Pooled investment vehicles	17	–	140.7	140.7	164.0
Derivatives	18	83.9	–	83.9	42.4
Insurance policies		9.8	–	9.8	–
AVC investments	21	–	25.8	25.8	35.9
Cash	22	682.2	–	682.2	72.0
Other investment balances	23	10.7	–	10.7	6.8
Reverse repurchase agreements	24	0.5	–	0.5	–
		<u>3,241.5</u>	<u>166.5</u>	<u>3,408.0</u>	<u>4,089.6</u>
<b>Investment liabilities</b>	<b>12</b>				
Derivatives	18	(255.6)	–	(255.6)	(59.9)
Other investment balances	23	(13.1)	–	(13.1)	–
Repurchase agreements	24	(621.0)	–	(621.0)	(67.1)
		<u>(889.7)</u>	<u>–</u>	<u>(889.7)</u>	<u>(127.0)</u>
<b>Total investments</b>		<u>2,351.8</u>	<u>166.5</u>	<u>2,518.3</u>	<u>3,962.6</u>
<b>Current assets</b>	<b>30</b>	16.4	1.4	17.8	14.2
<b>Current liabilities</b>	<b>31</b>	(5.1)	–	(5.1)	(6.9)
<b>Net assets of the Plan at 31 December</b>		<u><u>2,363.1</u></u>	<u><u>167.9</u></u>	<u><u>2,531.0</u></u>	<u><u>3,969.9</u></u>

The notes on pages 33 to 65 form part of these ANNUAL REPORT AND FINANCIAL STATEMENTS.

**SMITHKLINE BEECHAM PENSION PLAN  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)**

**YEAR ENDED 31 DECEMBER 2022**

---

The Financial Statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the DB section of the Plan, 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 page 30 to 65 were approved by the Trustee and signed on its behalf by:**

**Tom Houston  
Name**

**Signature**

**Trustee Director  
Title**

**David Wiggins  
Name**

**Signature**

**Trustee Director  
Title**

31/5/2023

**The notes on pages 33 to 65 form part of these ANNUAL REPORT AND FINANCIAL STATEMENTS.**

---

## **SMITHKLINE BEECHAM PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 31 DECEMBER 2022**

---

##### **1. General information**

The SmithKline Beecham Pension Plan (the "Plan") is an occupational pension scheme established under trust in the United Kingdom, under English Law.

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

The Plan has a Defined Benefit section ("DB") which is no longer open to new members but existing members continue to accrue benefits. In addition, it has a Defined Contribution section ("DC") which is closed to new members and also closed to further contributions.

The Plan 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 Plan receive preferential tax treatment.

##### **2. Basis of preparation**

The individual Financial Statements of the SmithKline Beecham Pension Plan 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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 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
<b>Contributions and benefits</b>				
Employer contributions		22.3	4.3	26.6
Total contributions	<b>5</b>	22.3	4.3	26.6
Transfers in	<b>6</b>	–	0.3	0.3
		<u>22.3</u>	<u>4.6</u>	<u>26.9</u>
Benefits paid or payable	<b>7</b>	(118.8)	(6.5)	(125.3)
Payments to and on account of leavers	<b>8</b>	(24.2)	(8.2)	(32.4)
Administrative expenses	<b>9</b>	(5.4)	–	(5.4)
Other payments	<b>10</b>	(0.2)	–	(0.2)
		<u>(148.6)</u>	<u>(14.7)</u>	<u>(163.3)</u>
<b>Net withdrawals from dealings with members</b>		<u>(126.3)</u>	<u>(10.1)</u>	<u>(136.4)</u>
<b>Returns on investments</b>				
Investment income	<b>11</b>	26.8	–	26.8
Change in market value of investments	<b>12</b>	57.8	27.6	85.4
Investment management expenses	<b>14</b>	(1.7)	–	(1.7)
<b>Net return on investments</b>		<u>82.9</u>	<u>27.6</u>	<u>110.5</u>
<b>Net (decrease)/increase in the fund during the year</b>		(43.4)	17.5	(25.9)
Transfers between sections	<b>16</b>	0.9	(0.9)	–
<b>Net assets of the Plan</b>				
At 1 January		3,809.5	186.3	3,995.8
<b>At 31 December</b>		<u>3,767.0</u>	<u>202.9</u>	<u>3,969.9</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**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
<b>Investment assets</b>	<b>12</b>			
Investment in GSK CIF		1,745.3	–	1,745.3
Bonds		2,023.2	–	2,023.2
Pooled investment vehicles	<b>17</b>	–	164.0	164.0
Derivatives	<b>18</b>	42.4	–	42.4
Insurance policies		–	–	–
AVC investments	<b>21</b>	–	35.9	35.9
Cash	<b>22</b>	72.0	–	72.0
Other investment balances	<b>23</b>	6.8	–	6.8
Reverse repurchase agreements	<b>24</b>	–	–	–
		<u>3,889.7</u>	<u>199.9</u>	<u>4,089.6</u>
<b>Investment liabilities</b>	<b>12</b>			
Derivatives	<b>18</b>	(59.9)	–	(59.9)
Other investment balances	<b>23</b>	–	–	–
Repurchase agreements	<b>24</b>	(67.1)	–	(67.1)
		<u>(127.0)</u>	<u>–</u>	<u>(127.0)</u>
<b>Total investments</b>		<u>3,762.7</u>	<u>199.9</u>	<u>3,962.6</u>
<b>Current assets</b>	<b>30</b>	10.8	3.4	14.2
<b>Current liabilities</b>	<b>31</b>	(6.5)	(0.4)	(6.9)
<b>Net assets of the Plan at 31 December</b>		<u><u>3,767.0</u></u>	<u><u>202.9</u></u>	<u><u>3,969.9</u></u>

**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 Plan'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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

**Contributions**

Employer normal contributions 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 and bonus 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.

As the Plan is closed to new entrants and is not used for auto enrolment there are no contributions or refunds of contributions to members who 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.

**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 Plan, 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 Plan, 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.

**Administrative and investment management expenses**

Administrative expenses, investment management expenses and life assurance premiums are all accounted for on an accruals basis.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

**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.

The income received on the annuity policies is accounted for on an accruals basis in the fund account.

**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.

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 sales of investments during the year.

Defined contribution and AVC assets

The Plan 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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

Gilt repurchase agreements

Under repurchase arrangements the Plan 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 purchase agreement program is accounted for on an accruals basis.

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 Plan 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.

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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

Annuity policies - defined benefit

The Plan holds insurance policies in the form of buy-in arrangements. The fair value of the insurance policies is the present value of the related obligation. The present value will depend on a number of key estimates, such as the discount rate, pension increases awarded and life expectancy.

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 Plan as they are in the name of the member and are expensed in the fund account in the year in which they are purchased.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**5. Contributions**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
<b>Employer contributions</b>			
Normal	1.3	–	1.3
Augmentation	6.5	1.1	7.6
Employers administrative expense and PPF levies	3.6	–	3.6
Salary sacrifice	0.1	–	0.1
Bonus sacrifice	–	0.6	0.6
Deficit repair contributions	41.0	–	41.0
Employers AVC sacrifice contributions	–	0.2	0.2
	<u>52.5</u>	<u>1.9</u>	<u>54.4</u>
	Defined benefit section £m	2021 Defined contribution section £m	Total £m
<b>Employer contributions</b>			
Normal	5.9	–	5.9
Augmentation	13.6	3.0	16.6
Employers administrative expense and PPF levies	2.3	–	2.3
Salary sacrifice	0.5	–	0.5
Bonus sacrifice	–	0.7	0.7
Deficit repair contributions	–	–	–
Employers AVC sacrifice contributions	–	0.6	0.6
	<u>22.3</u>	<u>4.3</u>	<u>26.6</u>

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 6 of the Trustee's report, deficit repair contributions of £90.1m, plus Other Employer contributions due by 31 March 2025, £20m due by 20 January 2026 and £20m due by 20 January 2027. This is subject to change if certain conditions set out in the Schedule of Contributions are met. This Schedule supersedes the requirements of the previous Schedule of Contributions from the date it was signed.

Deficit repair contributions of £41m were received during the year, earlier than was due under the Schedule of Contributions resulting in reduced amounts due in the future.

**6. Transfers in**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Individual transfers in	–	0.4	0.4

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**6. Transfers in (continued)**

	Defined benefit section £m	2021 Defined contribution section £m	Total £m
Individual transfers in	–	0.3	0.3
	<u>–</u>	<u>0.3</u>	<u>0.3</u>

**7. Benefits paid or payable**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Pensions	112.5	–	112.5
Lump sums on retirement	15.4	3.9	19.3
Purchase of annuities	–	0.1	0.1
Death benefits	0.2	0.2	0.4
Taxation where lifetime or annual allowance exceeded	0.1	–	0.1
	<u>128.2</u>	<u>4.2</u>	<u>132.4</u>

	Defined benefit section £m	2021 Defined contribution section £m	Total £m
Pensions	105.3	–	105.3
Lump sums on retirement	13.1	6.2	19.3
Purchase of annuities	–	–	–
Death benefits	0.3	0.3	0.6
Taxation where lifetime or annual allowance exceeded	0.1	–	0.1
	<u>118.8</u>	<u>6.5</u>	<u>125.3</u>

**8. Payments to and on account of leavers**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Individual transfers out	11.8	11.3	23.1
	<u>11.8</u>	<u>11.3</u>	<u>23.1</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

	Defined benefit section £m	2021 Defined contribution section £m	Total £m
Individual transfers out	24.2	8.2	32.4
	<u>24.2</u>	<u>8.2</u>	<u>32.4</u>

**9. Administrative expenses**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Administration and processing	1.5	–	1.5
Professional fees	0.8	–	0.8
Trustee fees and insurance	0.1	–	0.1
Regulator levies	0.2	–	0.2
Other admin expenses	3.6	–	3.6
	<u>6.2</u>	<u>–</u>	<u>6.2</u>

	Defined benefit section £m	2021 Defined contribution section £m	Total £m
Administration and processing	1.6	–	1.6
Professional fees	1.1	–	1.1
Trustee fees and insurance	0.1	–	0.1
Regulator levies	0.1	–	0.1
Other admin expenses	2.5	–	2.5
	<u>5.4</u>	<u>–</u>	<u>5.4</u>

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

Professional fees includes audit fees of £0.1m (2021: £0.1m) and investment consultancy fees of £0.2m (2021: £0.3m).

Other admin expenses includes various project fees of £3.5m (2021: £2.4m).

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**10. Other payments**

	<b>Defined benefit section</b>	<b>2022 Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Group life premiums	<u>(0.1)</u>	<u>–</u>	<u>(0.1)</u>
		<b>2021</b>	
	<b>Defined benefit section</b>	<b>Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Group life premiums	<u>0.2</u>	<u>–</u>	<u>0.2</u>

The current year group life premiums are negative due to over accrual of premium for the year ended 31 December 2021.

**11. Investment income**

	<b>Defined benefit section</b>	<b>2022 Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Other income	<u>(1.8)</u>	<u>–</u>	<u>(1.8)</u>
Income from bonds	<u>33.5</u>	<u>–</u>	<u>33.5</u>
Repo interest expense	<u>(9.0)</u>	<u>–</u>	<u>(9.0)</u>
Annuity income	<u>1.2</u>	<u>–</u>	<u>1.2</u>
Interest receivable	<u>2.1</u>	<u>–</u>	<u>2.1</u>
	<u><b>26.0</b></u>	<u><b>–</b></u>	<u><b>26.0</b></u>
		<b>2021</b>	
	<b>Defined benefit section</b>	<b>Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Other income	<u>(0.1)</u>	<u>–</u>	<u>(0.1)</u>
Income from bonds	<u>25.7</u>	<u>–</u>	<u>25.7</u>
Repo interest expense	<u>(0.1)</u>	<u>–</u>	<u>(0.1)</u>
Annuity income	<u>1.2</u>	<u>–</u>	<u>1.2</u>
Interest receivable	<u>0.1</u>	<u>–</u>	<u>0.1</u>
	<u><b>26.8</b></u>	<u><b>–</b></u>	<u><b>26.8</b></u>

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

The income received on annuity policies are accounted for on an accruals basis in the fund account.

---

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**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	1,745.3	18.2	(779.3)	(186.4)	797.8
Bonds	2,023.2	960.7	(338.5)	(988.8)	1,656.6
Derivatives	(17.5)	116.3	(100.3)	(170.2)	(171.7)
Insurance policies	–	–	–	9.8	9.8
	<u>3,751.0</u>	<u>1,095.2</u>	<u>(1,218.1)</u>	<u>(1,335.6)</u>	<u>2,292.5</u>
Cash	72.0			–	682.2
Other investment balances	6.8			–	(2.4)
Repurchase and reverse repurchase agreements	(67.1)			–	(620.5)
	<u>3,762.7</u>			<u>(1,335.6)</u>	<u>2,351.8</u>

**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	164.0	5.3	(11.6)	(17.0)	140.7
AVC investments	35.9	2.9	(9.7)	(3.3)	25.8
	<u>199.9</u>	<u>8.2</u>	<u>(21.3)</u>	<u>(20.3)</u>	<u>166.5</u>

**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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**14. Investment management expenses**

	<b>Defined benefit section £m</b>	<b>2022 Defined contribution section £m</b>	<b>Total £m</b>
Investment manager fees	2.1	–	2.1
Custody fees, performance measurement and accounting	<u>0.1</u>	<u>–</u>	<u>0.1</u>
	<u><u>2.2</u></u>	<u><u>–</u></u>	<u><u>2.2</u></u>
		2021	
	<b>Defined benefit section £m</b>	<b>Defined contribution section £m</b>	<b>Total £m</b>
Investment manager fees	1.6	–	1.6
Custody fees, performance measurement and accounting	<u>0.1</u>	<u>–</u>	<u>0.1</u>
	<u><u>1.7</u></u>	<u><u>–</u></u>	<u><u>1.7</u></u>

**15. Taxation**

There was no withholding taxation suffered on direct investment holdings.

Withholding taxation may have been suffered by the Plan 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 Plan through its holding in the GSK CIF, the effect of that is disclosed in the Financial Statements of that entity.

**16. Transfers between sections**

	<b>Defined benefit section £m</b>	<b>2022 Defined contribution section £m</b>	<b>Total £m</b>
Transfers between sections	<u>1.5</u>	<u>(1.5)</u>	<u>–</u>
		2021	
	<b>Defined benefit section £m</b>	<b>Defined contribution section £m</b>	<b>Total £m</b>
Transfers between sections	<u>0.9</u>	<u>(0.9)</u>	<u>–</u>

**SMITHKLINE BEECHAM PENSION PLAN****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022****16. Transfers between sections (continued)**

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

- Where DC section AVC disinvestments of £0.01m (2021: £0.03m) are received in DB section and shown as sales in the DC section; and
- Internal annuitisation of £1.5m (2021: £0.9m), which is a transfer from the DC section to the DB section when a DC member retiring elects to take a pension from the Plan 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. Pooled investment vehicles**

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

	<b>2022</b>		
	<b>Defined benefit section £m</b>	<b>Defined contribution section £m</b>	<b>Total £m</b>
Equity	-	25.6	25.6
Diversified growth	-	0.1	0.1
Cash	-	2.6	2.6
Lifecycle	-	101.1	101.1
Pre-retirement inflation linked	-	6.9	6.9
Shariah	-	0.4	0.4
Retirement income multi asset	-	4.0	4.0
	<u>-</u>	<u>140.7</u>	<u>140.7</u>
	<u>-</u>	<u>140.7</u>	<u>140.7</u>
		<b>2021</b>	
	<b>Defined benefit section £m</b>	<b>Defined contribution section £m</b>	<b>Total £m</b>
Equity	-	30.6	30.6
Diversified growth	-	0.1	0.1
Cash	-	2.9	2.9
Lifecycle	-	116.8	116.8
Pre-retirement inflation linked	-	10.6	10.6
Shariah	-	0.4	0.4
Retirement income multi asset	-	2.6	2.6
	<u>-</u>	<u>164.0</u>	<u>164.0</u>
	<u>-</u>	<u>164.0</u>	<u>164.0</u>

The above investments represent the defined contribution investment arrangements 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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**18. Derivatives**

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

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
<b>Derivative assets</b>			
Futures	0.2	-	0.2
Options	0.5	-	0.5
Swaps	79.6	-	79.6
Forward FX contracts	3.6	-	3.6
	<u>83.9</u>	<u>-</u>	<u>83.9</u>
<b>Derivative liabilities</b>			
Futures	(0.1)	-	(0.1)
Options	(0.5)	-	(0.5)
Swaps	(253.4)	-	(253.4)
Forward FX contracts	(1.6)	-	(1.6)
	<u>(255.6)</u>	<u>-</u>	<u>(255.6)</u>
	<u>(171.7)</u>	<u>-</u>	<u>(171.7)</u>
		2021	
	Defined benefit section £m	Defined contribution section £m	Total £m
<b>Derivative assets</b>			
Futures	-	-	-
Options	7.6	-	7.6
Swaps	33.7	-	33.7
Forward FX contracts	1.1	-	1.1
	<u>42.4</u>	<u>-</u>	<u>42.4</u>
<b>Derivative liabilities</b>			
Futures	(1.0)	-	(1.0)
Options	(20.8)	-	(20.8)
Swaps	(37.6)	-	(37.6)
Forward FX contracts	(0.5)	-	(0.5)
	<u>(59.9)</u>	<u>-</u>	<u>(59.9)</u>
	<u>(17.5)</u>	<u>-</u>	<u>(17.5)</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**18. Derivatives (continued)**

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.

At the year end the Plan had posted out collateral to counter parties, representing variation and initial margin, all consisting of index linked government bonds, in respect of the derivatives contracts shown above.

**Futures**

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

**Defined benefit section**

<b>Nature</b>	<b>No. of contracts</b>	<b>Economic exposure £m</b>	<b>Expires</b>	<b>Asset value £m</b>	<b>Liability value £m</b>
UK Bond Futures	14	1.4	March 2023	0.1	-
US Bond Futures	896	89.2	March 2023	0.1	-
EURO Bond Futures	9	1.1	March 2023	-	(0.1)
<b>Total 2022</b>		<u>91.7</u>		<u>0.2</u>	<u>(0.1)</u>
Total 2021		<u>110.1</u>		<u>-</u>	<u>(1.0)</u>

**Options**

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

**Defined benefit section**

<b>Nature</b>	<b>No. of contracts</b>	<b>Notional principal £m</b>	<b>Expires</b>	<b>Asset value £m</b>	<b>Liability value £m</b>
Stock call option - Emerging market traded equity	2	-	Less than 1 year	0.3	(0.3)
Stock put option - Emerging market traded equity	2	-	Less than 1 year	0.2	(0.2)
Bond put option	1	(0.3)	Less than 1 year	-	-
<b>Total 2022</b>		<u>(0.3)</u>		<u>0.5</u>	<u>(0.5)</u>
Total 2021		<u>-</u>		<u>7.6</u>	<u>(20.8)</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**18. Derivatives (continued)**

**Swaps**

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

**Defined benefit section**

<b>Nature</b>	<b>No. of contracts</b>	<b>Notional amounts £m</b>	<b>Expires</b>	<b>Asset value £m</b>	<b>Liability value £m</b>
Inflation Linked Swaps	4	315.8	0-10 years	47.4	-
Zero Coupon Swaps	19	1,287.8	0-10 years	-	(123.8)
Inflation Linked Swaps	1	47.8	11-20 years	9.2	-
Zero Coupon Swaps	9	258.7	11-20 years	-	(83.1)
Zero Coupon Swaps	6	36.4	21-30 years	7.7	(7.2)
Zero Coupon Swaps	3	77.7	31-40 years	13.7	(26.8)
Zero Coupon Swaps	1	19.3	41-50 years	-	(11.5)
Inflation Linked Swaps	1	4.6	31-40 years	-	(0.1)
Interest Rate Swaps	7	20.8	0-10 years	1.3	(0.3)
Interest Rate Swaps	2	5.6	11-20 years	-	(0.6)
Credit Default Swaps	8	35.4	0-10 years	0.3	-
<b>Total 2022</b>		<b>2,109.9</b>		<b>79.6</b>	<b>(253.4)</b>
Total 2021		1,626.9		33.7	(37.6)

**Forward FX contracts**

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

**Defined benefit section**

<b>Contract</b>	<b>Settlement date</b>	<b>No. of contracts</b>	<b>Currency bought</b>	<b>Currency sold</b>	<b>Asset value £m</b>	<b>Liability value £m</b>
Forward OTC	10 January 2023	12	GBP 20.4m	EUR 23.7m	-	(0.6)
Forward OTC	10 January 2023	11	GBP 113.3m	USD 136.1m	0.3	(0.1)
Forward OTC	10 January 2023	8	USD 4.9m	GBP 4.0m	0.1	-
Forward OTC	10 January 2023	2	GBP 0.2m	CAD 0.4m	-	-
Forward OTC	3 January 2023	6	USD 0.4m	HUF 164.3m	-	-
Forward OTC	10 January 2023	2	EUR 1.1m	GBP 1.0m	-	-
Forward OTC	25 January 2023	9	GBP 42.3m	USD 47.9m	2.5	-
Forward OTC	22 February 2023	2	GBP 41.7m	USD 49.4m	0.7	-
Forward OTC	15 March 2023	2	GBP 38.3m	USD 47.1m	-	(0.9)
<b>Total 2022</b>					<b>3.6</b>	<b>(1.6)</b>
Total 2021					1.1	(0.5)

## SMITHKLINE BEECHAM PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2022

## 19. Collateral

In order to manage counterparty default risk the swaps 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	2022	2022	2022
	Held	Pledged	Held	Pledged
<b>OTC Cleared</b>	<b>Initial Margin</b>		<b>Variation margin</b>	
	£m	£m	£m	£m
Cash	-	1.9	-	150.8
Bonds	-	90.9	-	-
<b>Total</b>	<b>-</b>	<b>92.8</b>	<b>-</b>	<b>150.8</b>
<b>OTC Bilateral</b>	<b>2022</b>	<b>2022</b>		
	<b>Held</b>	<b>Pledged</b>		
	£m	£m		
Cash	1.8	-		
Bonds	1.4	4.2		
<b>Total</b>	<b>3.2</b>	<b>4.2</b>		
<b>Repos</b>	<b>2022</b>	<b>2022</b>		<b>2022</b>
	<b>Held</b>	<b>Pledged</b>		<b>Physical Leg MTM</b>
	£m	£m		£m
Bonds	7.3	149.1	Reverse repos	(0.5)
			Repos	494.6
<b>Total</b>	<b>7.3</b>	<b>149.1</b>	<b>Net</b>	<b>494.1</b>
<b>Type of Collateral</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
<b>OTC Cleared</b>	<b>Held</b>	<b>Pledged</b>	<b>Held</b>	<b>Pledged</b>
	<b>Initial Margin</b>		<b>Variation margin</b>	
	£m	£m	£m	£m
Cash	-	-	-	4.2
Bonds	-	50.1	-	-
<b>Total</b>	<b>-</b>	<b>50.1</b>	<b>-</b>	<b>4.2</b>
<b>OTC Bilateral</b>	<b>2021</b>	<b>2021</b>		
	<b>Held</b>	<b>Pledged</b>		
	£m	£m		
Cash	1.2	-		
Bonds	0.8	18.9		
<b>Total</b>	<b>2.0</b>	<b>18.9</b>		
<b>Repos</b>	<b>2021</b>	<b>2021</b>		<b>2021</b>
	<b>Held</b>	<b>Pledged</b>		<b>Physical Leg MTM</b>
	£m	£m		£m
Bonds	-	2.1	Repos	65.8
<b>Total</b>	<b>-</b>	<b>2.1</b>	<b>Net</b>	<b>65.8</b>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**20. Investment in GSK Common Investment Fund**

Details of the Plan'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 Plan share of the GSK CIF was £797.8m, which represented 27.1% of the GSK CIF (2021: £1,745.3m, 29.0%).

**21. AVC investments**

	<b>Defined benefit section</b>	<b>2022 Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Zurich Life Assurance	–	3.3	3.3
Legal & General	–	22.1	22.1
Prudential	–	0.2	0.2
Scottish Friendly	–	0.2	0.2
	<u>–</u>	<u>25.8</u>	<u>25.8</u>
	<u>–</u>	<u>25.8</u>	<u>25.8</u>
		<b>2021</b>	
	<b>Defined benefit section</b>	<b>Defined contribution section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Zurich Life Assurance	–	3.8	3.8
Legal & General	–	31.8	31.8
Prudential	–	0.2	0.2
Scottish Friendly	–	0.1	0.1
	<u>–</u>	<u>35.9</u>	<u>35.9</u>
	<u>–</u>	<u>35.9</u>	<u>35.9</u>

AVC investments are held to provide benefits to the individuals on whose behalf the corresponding contributions are invested.

AVC investments with Legal & General are held within the Plan's defined contribution investment arrangements. Legal & General holds the investment units on a pooled basis for the Trustee and the Plan administrator allocates investment units to members. AVC investments with other providers are held in the name of the members and are specifically designated to those members by individual policies.

Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The AVC assets of the Plan are held with the above providers.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**22. Cash**

	<b>Defined benefit section £m</b>	<b>2022 Defined contribution section £m</b>	<b>Total £m</b>
<b>Cash assets</b>			
Sterling	<u>682.2</u>	<u>—</u>	<u>682.2</u>
	<b>Defined benefit section £m</b>	<b>2021 Defined contribution section £m</b>	<b>Total £m</b>
<b>Cash assets</b>			
Sterling	<u>72.0</u>	<u>—</u>	<u>72.0</u>

**23. Other investment balances**

	<b>Defined benefit section £m</b>	<b>2022 Defined contribution section £m</b>	<b>Total £m</b>
<b>Other investment balances assets</b>			
Pending sales	6.6	—	6.6
Interest receivable	<u>4.1</u>	<u>—</u>	<u>4.1</u>
	<u>10.7</u>	<u>—</u>	<u>10.7</u>
<b>Other investment balances liabilities</b>			
Pending purchases	<u>(13.1)</u>	<u>—</u>	<u>(13.1)</u>
	<u>(2.4)</u>	<u>—</u>	<u>(2.4)</u>
	<b>Defined benefit section £m</b>	<b>2021 Defined contribution section £m</b>	<b>Total £m</b>
<b>Other investment balances assets</b>			
Pending sales	—	—	—
Interest receivable	<u>6.8</u>	<u>—</u>	<u>6.8</u>
	<u>6.8</u>	<u>—</u>	<u>6.8</u>
<b>Other investment balances liabilities</b>			
Pending purchases	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>

---

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**24. Repurchase agreements**

	<b>Defined benefit section £m</b>	<b>2022 Defined contribution section £m</b>	<b>Total £m</b>
Amount receivable under reverse repurchase agreements	<b>0.5</b>	-	<b>0.5</b>
Amounts due under repurchase agreements	<b>(621.0)</b>	-	<b>(621.0)</b>
	<b><u>(620.5)</u></b>	<b><u>-</u></b>	<b><u>(620.5)</u></b>
	<b>Defined benefit section £m</b>	<b>2021 Defined contribution section £m</b>	<b>Total £m</b>
Amount receivable under reverse repurchase agreements	-	-	-
Amounts due under repurchase agreements	<b>(67.1)</b>	-	<b>(67.1)</b>
	<b><u>(67.1)</u></b>	<b><u>-</u></b>	<b><u>(67.1)</u></b>

At 31 December 2022, index-linked securities with a market value of £494.6m (2021: £65.8m) were held by the Plan sold under repurchase agreement contracts. During the year the Plan also entered into reverse repurchase agreements. At the year end amounts receivable under reverse repurchase agreements amounted to £0.5m (2021: £nil). Bonds with value of £0.5m (2021: £nil) are held as collateral under reverse repurchase agreements. The total margin of £149.1m (2021: £2.1m) includes only bonds of £149.1m (2021: £2.1m).

The repurchase agreements are part of the Plan's liability matching portfolio with Legal & General. The contracts are used in conjunction with swap contracts to manage exposure to interest rates and inflation. At the year end, the Plan had received cash consideration of £628.3m (2021: £67.1m) 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 £635.0m (2021: £67.1m)

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**25. Defined contribution assets**

Defined contribution assets can be split into Defined contribution investment assets of £166.5m (2021: £199.9m) and assets reported under current assets and liabilities of £1.5m (2021: £3.0m).

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 Plan.

Defined contribution investment assets are allocated as follows:

	<b>2022</b>	2021
	<b>£m</b>	£m
Allocated to members	<b>165.3</b>	198.3
Not allocated to members	<b>1.2</b>	1.6
	<b><u>166.5</u></b>	<u>199.9</u>

**26. 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 and prior year ends is as follows:

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

	<b>At 31 December 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Defined benefit section</b>				
Investment in GSK CIF*	–	–	797.8	797.8
Bonds	1,656.6	–	–	1,656.6
Derivatives	–	(171.7)	–	(171.7)
Insurance policies	–	–	9.8	9.8
Cash	682.2	–	–	682.2
Other investment balances	(2.4)	–	–	(2.4)
Repurchase and reverse repurchase agreements	–	(620.5)	–	(620.5)
	<u>2,336.4</u>	<u>(792.2)</u>	<u>807.6</u>	<u>2,351.8</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

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

**Defined contribution section**

Pooled investment vehicles	–	140.7	–	140.7
AVC investments	–	22.1	3.7	25.8
	–	162.8	3.7	166.5
	<u>2,336.4</u>	<u>(629.4)</u>	<u>811.3</u>	<u>2,518.3</u>

	At 31 December 2021			Total
	Level 1 £m	Level 2 £m	Level 3 £m	£m
<b>Defined benefit section</b>				
Investment in GSK CIF*	–	–	1,745.3	1,745.3
Bonds	2,023.2	–	–	2,023.2
Derivatives	–	(17.5)	–	(17.5)
Insurance policies	–	–	–	–
Cash	72.0	–	–	72.0
Other investment balances	6.8	–	–	6.8
Repurchase and reverse repurchase agreements	–	(67.1)	–	(67.1)
	<u>2,102.0</u>	<u>(84.6)</u>	<u>1,745.3</u>	<u>3,762.7</u>
<b>Defined contribution section</b>				
Pooled investment vehicles	–	164.0	–	164.0
AVC investments	–	31.8	4.1	35.9
	–	195.8	4.1	199.9
	<u>2,102.0</u>	<u>111.2</u>	<u>1,749.4</u>	<u>3,962.6</u>

\*The Plan'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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**27. 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 Plan 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 Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan'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 Plan but does include defined contribution assets.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

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

**Defined benefit section**

**Credit risk**

Direct credit risk arises where the Plan directly invests in bonds and Over-The-Counter ("OTC") derivatives, holds cash and cash equivalents and enters into repurchase agreements. Credit risk also arises through the Plan'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 £m	Unrated £m	Total £m	Investment grade £m	Unrated £m	Total £m
Investment in the GSK CIF	7.2	732.8	740.0	40.0	1,638.4	1,678.4
Bonds	1,656.6	-	1,656.6	2,023.2	-	2,023.2
Derivatives assets – over the counter swaps	79.6	-	79.6	33.7	-	33.7
Derivatives liabilities – over the counter swaps	(253.3)	-	(253.3)	(37.6)	-	(37.6)
Cash and cash equivalents	682.2	-	682.2	72.0	-	72.0
Repurchase and reverse repurchase agreements	(620.5)	-	(620.5)	(67.1)	-	(67.1)
Foreign exchange contracts	2.0	-	2.0	0.6	-	0.6
<b>Total</b>	<b>1,553.8</b>	<b>732.8</b>	<b>2,286.6</b>	<b>2,064.8</b>	<b>1,638.4</b>	<b>3,703.2</b>

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.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The direct credit risk for OTC swaps is reduced by collateral arrangements (see page 19). 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 19 with the counterparty providing collateral of at least investment grade quality, in the case of default.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

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 and carries out due diligence on an ongoing basis, and monitors any changes to the regulatory and operating environment of the pooled managers.

Indirect credit risk arises in the Plan'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.

**Currency risk**

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

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

<b>Currency</b>	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
US Dollar	<b>359.3</b>	162.0
Euro	<b>77.1</b>	-
Others	<b>0.6</b>	-
<b>Total</b>	<b><u>437.0</u></b>	<b><u>162.0</u></b>

The Trustee manages currency risk through the implementation and regular monitoring of a neutral benchmark which sets out the preferred allocation of equity 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 Plan'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.

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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

**Interest rate risk**

Liability matching assets where investments are held in bonds, interest rate swaps, repurchase agreements, cash and cash equivalents are exposed to direct interest rate risk. Interest rate risk also arises through the Plan'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.

	<b>2022</b>	2021
	<b>£m</b>	£m
Investment in the GSK CIF	<b>7.2</b>	40.0
Bonds	<b>1,656.6</b>	2,023.2
Derivatives OTC swaps		
Interest rate swaps	<b>(230.6)</b>	(33.6)
Credit default swaps	<b>0.3</b>	-
Cash and cash equivalents	<b>682.2</b>	72.0
Repurchase and reverse repurchase agreements	<b>(620.5)</b>	(67.1)
<b>Total</b>	<b><u>1,495.2</u></b>	<u>2,034.5</u>

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 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 66.3% of the total investment portfolio (2021: 55.1%).

Indirect interest rate risk arises in the Plan'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, corporate bonds, cash and cash equivalents and also through the hedging programme.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**27. 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 Plan's share of the GSK CIF. The GSK CIF holds the Plan'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 33.7% of the total investment portfolio (2021: 44.9%).

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

	<b>2022</b>	2021
	<b>£m</b>	£m
Investment in the GSK CIF	<b>789.5</b>	1704.8
Derivative assets – over the counter equity options	<b>0.5</b>	7.6
Derivative liabilities – over the counter equity options	<b>(0.5)</b>	(20.8)
Derivative assets – over the counter equity futures	<b>0.1</b>	-
Derivative liabilities – over the counter equity futures	<b>-</b>	(1.0)
<b>Total</b>	<b><u>789.6</u></b>	<u>1,690.6</u>

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.

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**27. 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 Company, 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 Plan.

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 SmithKline Beecham Pension Plan and are invested in other funds available through the L&G platform but with more beneficial pricing arrangements. Nine such funds are available; UK Equity, Cash, Lifecycle, Global Equity, Overseas Equity, Pre Retirement Inflation Linked, Diversified Growth, Retirement Income Multi-Asset and the Shariah 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.

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.

	<b>Credit risk</b>	<b>Currency risk</b>	<b>Interest rate risk</b>	<b>Other price risk</b>	<b>2022</b>	<b>2021</b>
					<b>£m</b>	<b>£m</b>
LGIM GSK Diversified Growth Net	✓	✓	✓	✓	<b>0.2</b>	0.1
LGIM GSK UK Equity Ind (Net)	✓	x	x	✓	<b>6.7</b>	7.6
LGIM GSK Cash Fund (Net)	✓	x	✓	x	<b>4.8</b>	6.0
LGIM GSK Lifecycle Fund (Net)	✓	✓	✓	✓	<b>107.7</b>	125.1
LGIM GSK Inf Link Pre-Ret Net	✓	x	✓	✓	<b>8.5</b>	14.6
LGIM GSK Overseas Eq Index Net	✓	✓	x	✓	<b>7.4</b>	9.5
LGIM GSK Global Equity Index Net	✓	✓	x	✓	<b>21.9</b>	28.9
LGIM GSK Shariah Fund	✓	✓	x	✓	<b>0.4</b>	0.4
LGIM GSK Global Sustainable Equity	✓	✓	x	✓	<b>0.1</b>	–
LGIM GSK Retire Inc Multi-Asset	✓	✓	✓	✓	<b>5.1</b>	3.6
<b>Total</b>					<b>162.8</b>	<b>195.8</b>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

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

**Credit risk**

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 Plan'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 Plan'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.

**28. Concentration of investments**

The Plan holds the following investments which comprise more than 5% of the net assets of the Plan.

	2022		2021	
	£m	%	£m	%
<b>Defined benefit section</b>				
Investment in GSK CIF	<b>797.8</b>	<b>31.5</b>	1,745.3	44.0
LGIM Sterling Liquidity Fund	<b>478.7</b>	<b>18.9</b>	–	–

**29. 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 Plan's total assets at market value.

There were nil direct investments in the GSK Group at 31 December 2022 (2021: £nil). The Trustee recognises that indirect investment in the GSK Group is possible through holdings in pooled investment vehicles held by the Plan.

Based on information provided by the investment managers the Trustee believes that the indirect exposure at 31 December 2021 under the above regulations was nil (2021: nil) and on a full look through basis a reasonable estimate of the indirect exposure in pooled investment vehicles at 31 December 2022 was 0.03% (2021: 0.05%).

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

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**30. Current assets**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Other debtors	0.2	–	0.2
Augmentations receivable	1.0	–	1.0
Pensions paid in advance	8.0	–	8.0
Cash balances	7.2	1.4	8.6
Due between sections	–	–	–
	<u>16.4</u>	<u>1.4</u>	<u>17.8</u>
		2021	
	Defined benefit section £m	Defined contribution section £m	Total £m
Other debtors	–	0.7	0.7
Augmentations receivable	0.8	0.5	1.3
Pensions paid in advance	7.7	–	7.7
Cash balances	2.0	2.2	4.2
Due between sections	0.3	–	0.3
	<u>10.8</u>	<u>3.4</u>	<u>14.2</u>

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 defined contribution cash balance, £1.2m (2021: £2.1m) is allocated to members and £0.2m (2021: £0.1m) is not allocated to members.

**31. Current liabilities**

	Defined benefit section £m	2022 Defined contribution section £m	Total £m
Benefits payable	1.5	–	1.5
Due between sections	–	–	–
Accruals	2.2	–	2.2
Due to GSK Services Unlimited	1.4	–	1.4
	<u>5.1</u>	<u>–</u>	<u>5.1</u>

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**31. Current liabilities (continued)**

	Defined benefit section £m	2021 Defined contribution section £m	Total £m
Benefits payable	1.7	0.1	1.8
Due between sections	–	0.3	0.3
Accruals	3.1	–	3.1
Due to GSK Services Unlimited	1.7	–	1.7
	<u>6.5</u>	<u>0.4</u>	<u>6.9</u>

The current liabilities within the DC section balance of £nil (2021: £0.4m) are allocated to members.

**32. Related party transactions**

The following related party transactions are disclosed:-

**Key management personnel of the Plan**

During the year the Plan paid a pension to two of the Trustee Directors (2021: two) and the spouse/partner of three of the Trustee Directors (2021: three), who were members of the Plan during their employment with the GSK Group. Three of the Trustee Directors (2021: three) 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.

During the year fees totalling £0.1m (2021: £0.1m) were paid to six of the Trustee Directors (2021: six) for their services as Trustee Directors. These fees are included within administrative expenses in note 9. In addition, four of the Trustee Directors (2021: four) 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 the Plan received pension contributions in respect of none of the Trustee Director (2021: one) who was an employee of the GSK Group.

**Other related parties**

During the year the Plan was charged £7.2m (2021: £5.0m) by GlaxoSmithKline Services Unlimited for the costs incurred by the Company in administering the Plan.

At the year end £1.4m (2021: £1.7m) was due to the GlaxoSmithKline Services Unlimited in respect of costs paid on behalf of the Plan. The Plan holds investments in the GSK CIF, in which it is a co-participant with other GSK pension schemes. The value of the Plan's holding in the GSK CIF at 31 December 2022 is disclosed in note.

At the year end there was £nil due to the Plan from another connected Pension Plan, the SmithKline Beecham Senior Executive Pension Plan (2021: £nil).

**SMITHKLINE BEECHAM PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**33. 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).

**34. 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 £88.1m on 18 May 2023. The effect of this is to reduce the deficit repair contributions due in the future as noted in Note 5.

**35. Contingent Liability - GMP Equalisation**

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A further High Court case in November 2020 has ruled that schemes are now required to equalise transfer values paid to member prior to October 2018 to take account of GMP equalisation where applicable. The implication of these rulings on the Fund and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Fund and the value of any liability, is estimated not to be material to the figures presented in these accounts.

The 2020 Actuarial valuation reports signed 25 March 2022, an allowance equal to 0.9% of the total pre-equalisation liabilities of the Plan and £2m in respect of past transfers outs has been provided for, as a reserve for the potential impact of the need to recalculate pension benefits for the unequal gender effects of the basis on which GMPs have always been calculated, within the value of the actuarial liabilities. This provision is not reflected in these financial statements.

The Trustee has reviewed, with its advisers, the implications of these rulings on the Plan. In November 2022, the Trustee began implementing GMP equalisation adjustments for pensioners and dependants. The remaining work to implement GMP equalisation for the outstanding members is underway and is expected to be addressed over 2023 and 2024. The total liability impact for the project is expected to be unchanged from that previously disclosed.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

## **Introduction**

As Chair of the Trustee of the SmithKline Beecham Pension Plan (the "Plan"), 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 any default arrangement;
- Review of the default arrangement;
- 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 Plan has a DC Section ("the DC Section") which is closed to new members and closed to future contribution.

The Plan 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 Section.

The Plan is not used as an auto-enrolment vehicle and therefore no members are auto enrolled into any of the fund options within the Plan.

The Trustee recognises the importance of the DC Section of the Plan 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 Plan.

The JDCC is responsible for reviewing on behalf of, and reporting and recommending to the Trustee Board, in respect of all aspects of the Plan's DC Section, including such matters as monitoring fund performance, any default investment strategy, 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 Section, including matters such as processing of the Plan'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 Plan 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 Section of the Plan as other Plan 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 (Defined benefit members making AVCs), and from the pension administrator (contact details below) for deferred members.

More detailed information about the DC Section of the Plan is also provided in the Plan'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.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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

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

### **Details of the Default arrangement**

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

As mentioned above, the Plan is not used as an auto-enrolment vehicle and therefore no members are auto enrolled into any of the fund options within the Plan. However, due to the movement of members' assets by the Trustee in previous years, the Plan has a number of default arrangements.

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.

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

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

**Review of the Default arrangement**

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.



**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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 Section are processed promptly and accurately.

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

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

The Trustee delegate the DC administration of the Plan to Willis Towers Watson and Barnett Waddingham. & General Assurance (Pensions Management) Limited ("L&G") provide DC investment platform services to the Plan.

Whilst the Trustee has delegated the day to day administration of the Plan 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 includes 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.

A dedicated DC specialist team is responsible for the day to day management of the DC Section at the main administrator, Willis Towers Watson. This team focusses 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, and any issues with meeting the requirements of 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 SLA for the year by quarter.

<b>Administrator</b>		<b>Q1 2022</b>	<b>Q2 2022</b>	<b>Q3 2022</b>	<b>Q4 2022</b>
Willis Towers Watson	Actual	90%	91%	90%	94%
	Target	95%	95%	95%	95%

The administration of the Plan was below target for the whole year.

During all times that the SLA requirements were not being met, the management team met regularly with Willis Towers Watson to discuss plans to bring the SLA back in line with target, and to ensure clear focus was placed on prioritising casework appropriately and ensuring core financial transactions were processed in a timely and accurate manner.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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

The administrators produce an internal control report annually, which sets 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 administrator s. 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 Plan 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 Plan, transfers between different investments within the Plan 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 Section, 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 meeting with the administrator, 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 administrator 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, that 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.

Where any issues remain unresolved at the year end there was a process in place to ensure rectification of the issue takes place as soon as practicable.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

**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 self-select fund range.

**Lifestyles**

<b>Lifestyle strategies – Lifecycle Drawdown Option/Lifecycle Pension Option/Lifecycle Cash Option *</b>	<b>Annualised returns to 31 December 2021 (%)</b>	
	<b>1 year</b>	<b>5 years</b>
<b>Age of member</b>		
25, 45, 55	-8.5	5.3

Source: LGIM.

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

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

Source: LGIM.

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

**Self-Select Funds**

<b>Self-select funds</b>	<b>Annualised returns to 31 December 2022(%)</b>	
	<b>1 year</b>	<b>5 year</b>
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 Traditional With-Profits	6.0	6.1
Prudential With-Profits	TBC	TBC
MGM Assurance With-Profits and unit linked	TBC	TBC

Source: LGIM.

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

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

*Profits funds were not available at the time of printing.*

## Charges and transaction costs

The Trustee is required to report on charges and transaction costs for the investment options available in the Plan, including any default arrangements, the Lifecycle options, the underlying funds to those options, and the freestyle 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 Plan. 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 Plan. Charges and transaction costs are, as at, and for the year to, 31 December 2022.

<b>Fund</b>	<b>Total Member Charge (% p.a.)</b>	<b>Transaction Costs (%)</b>
<b>GSK Lifecycle Pension Option (Legacy Default)</b>		
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
<b>GSK Lifecycle (Pre 2014) Option (Legacy Default)</b>		
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
<b>GSK Lifecycle Drawdown Option (Current Default)</b>		
5+ years to retirement	0.2820	0.3651
4 years to retirement	0.2825	0.3212
3 years to retirement	0.282	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
<b>GSK Lifecycle Cash Option</b>		
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

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

<b>Fund</b>	<b>Total Member Charge (% p.a.)</b>	<b>Transaction Costs (%)</b>
<b>GSK UK Equity Index Fund</b>	0.0225	0.0376
<b>GSK Inflation Linked Pre-Retirement Fund</b>	0.0500	0.2026
<b>GSK Cash Fund</b>	0.0825	0.0574
<b>GSK Lifecycle Fund</b>	0.2820	0.3651
<b>GSK Diversified Growth Fund</b>	0.6673	0.8513
<b>GSK Overseas Equity Index Fund</b>	0.0800	0.1026
<b>GSK Global Equity Index Fund</b>	0.0773	0.1037
<b>GSK Shariah Fund</b>	0.3200	-0.0157
<b>GSK Retirement Income Fund</b>	0.2842	0.1454
<b>GSK Global Sustainable Equity Fund</b>	0.0880	0.0939
<b>Zurich With-Profits Unit-linked Series 1</b>	0.5000	0.0800
<b>Zurich With-Profits Unit-linked Series 2</b>	0.5000	0.0800
<b>Zurich With-Profits Unit-linked Series 4</b>	0.8100	0.0600
<b>Zurich Traditional With-Profits</b>	0.5000	Not available (see below)
<b>Prudential With Profits Cash Accumulation Fund</b>	TBC	0.1000
<b>Prudential With Profits Cash Accumulation Fund Series 2</b>	TBC	0.1000
<b>MGM Assurance With-Profits and unit linked</b>	TBC	Not available (see below)

Source: L&G, Utmost Life, Zurich, MGM and Prudential. 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.

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 the providers to release information, and up to date information where applicable, 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, the Trustee has prepared illustrations detailing the impact of the costs and charges typically paid by a member of the DC Section 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 (where relevant);
- 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

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

contribution level of 15% per annum; 5% contribution by the member and 10% from the company (the middle structure offered). 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	
Year End	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	
2	£20,781	£20,604	£20,832	£20,786	
3	£27,327	£27,008	£27,423	£27,340	
4	£34,160	£33,659	£34,313	£34,182	
5	£41,291	£40,566	£41,518	£41,328	
10	£81,907	£79,310	£82,768	£82,079	
15	£132,216	£126,124	£134,305	£132,667	
20	£194,530	£182,687	£198,692	£195,465	
25	£271,714	£251,031	£279,135	£273,421	
30	£367,317	£333,608	£379,636	£370,194	
35	£485,734	£433,384	£505,198	£490,325	
40	£632,410	£553,940	£655,931	£633,581	
45	£801,026	£690,008	£786,997	£756,951	
48	£865,662	£744,073	£842,733	£808,756	

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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 31/12/2022. Five year average costs have been used as longer term data is not available. 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, 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 there is no default fund for auto enrolment purposes, and fund options are 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 a 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 Fund'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 Plan, 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.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

Within the AVC funds there are some legacy with-profits policies. A Value for Members assessment of these 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 Plan'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 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 Plan delivers good value for members in respect of member-borne deductions. Furthermore, additional services such as Fund administration, Trustee governance, adviser fees and additional communications are paid for by the Trustee, and met by the DB Section of the Plan, 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 Plan. 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 Plan and is not restricted to the DC Section.

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 Plan'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 Plan, 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 Plan 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.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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

<b>Date</b>	<b>Training subject</b>	<b>Undertaken by</b>
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

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

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	<p>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.</p> <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>	Trustee Training Day
16 November 2022	Multi-asset credit training, covering what it is and how the different elements might operate.	Joint Investment Committee

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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.

**SMITHKLINE BEECHAM PENSION PLAN  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2022**

---

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 additional training on the trust deed and rules. Training on this topic will be provided in 2023.

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 Director 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 Plan.

## **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](http://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:

**T Houston**  
**Chairman**

**Dated:** 31 May 2023

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**Introduction to the Implementation Statement**

This Implementation Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the 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.

All Implementation Statement's input is highlighted throughout the document, next to the respective SIP section.

The Trustee can confirm that all policies in the SIP have been followed in the Plan 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 Plan 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 Plan 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 Plan 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 Plan'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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 SmithKline Beecham Pension Plan. 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 Plan’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 Plan’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 Plan 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 Plan’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 Plan 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 Plan Year.

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

During the Plan Year the Trustee also reviewed and updated Mercer’s Investment Consultant objectives. These objectives cover the following areas: investment strategy & monitoring, investment manager selection,

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 Plan 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.

<p><b>Trustee</b></p> <ul style="list-style-type: none"> <li>• Set structures and processes for carrying out its role.</li> <li>• Determine (with assistance as required) the investment strategy.</li> <li>• Determine (with assistance as required) the climate change policy.</li> <li>• Monitor the JDC and consider proposals made by the JDC.</li> <li>• Select and monitor asset managers for the DC and AVC assets.</li> <li>• Select the DC and AVC investment options.</li> <li>• Select and monitor investment advisers.</li> </ul>	<p><b>JDC</b></p> <ul style="list-style-type: none"> <li>• Review all aspects of the Plan that relate directly to the DC arrangements, including investments, risk monitoring, education and operations.</li> <li>• Aid in the selection and monitoring of the investment advisers and asset managers for the DC pension schemes.</li> <li>• Assist the Trustee with setting the asset allocation of funds.</li> <li>• Set structures for implementing the climate change policy and make day to day decisions relevant to the operation of the climate change policy.</li> <li>• Require the asset managers to operate within the terms of this statement so far as practical.</li> </ul>
<p><b>Investment Advisers</b></p> <ul style="list-style-type: none"> <li>• Advise on all aspects of the investment of the Plan assets, including ESG and implementation.</li> <li>• Advise on this statement.</li> <li>• Provide required training.</li> <li>• Advise the Trustee on suitability of the benchmarks used.</li> <li>• Provide assistance to the Trustee and JDC in meeting their objectives.</li> </ul>	<p><b>Asset Managers</b></p> <ul style="list-style-type: none"> <li>• Operate within the terms of this statement and their written contracts.</li> <li>• 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.</li> </ul>

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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan, 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 Plan Year.

## 2.1 Investment Objectives

In investing the assets of the Plan 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 Plan 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 Plan'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 Plan as a whole.

## 2.2 Investment Strategy

The JDC is responsible for reviewing all aspects of the Plan 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 Plan.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan 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 Plan.

The Trustee hosts factsheets for each of the funds available to members on the L&G platform and publishes a quarterly summary performance report for members. This is ensure 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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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. 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 outcomes as a means of assessing the impact relative to member 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 Plan 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 Plan. 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.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Type of Risk	Risk	Description	How is the risk monitored and managed?
	Equity, property and other price risk	The risk that market movements lead to a substantial reduction in the value of a member's savings.	<p>Within active funds, management of many of these market risks is delegated to the asset manager(s).</p> <p>The JDC considers fund performance, including that of the default investment options, on a quarterly basis.</p>
	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 Plan's assets cannot be realised at short notice in line with member demand.	<p>The Plan is invested in daily dealt and daily priced pooled funds via an insurance policy with Legal and General.</p> <p>Asset managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.</p>
	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.	<p>The Trustee considers fund returns relative to the benchmark. This is monitored on a quarterly basis.</p> <p>The Trustee considers the Investment Adviser's rating of the investment managers on an ongoing basis, monitors the Plan's active funds against a robust framework.</p>
	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.	<p>The Trustee makes available lifestyle strategies for DC members.</p> <p>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.</p> <p>Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives.</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

Type of Risk	Risk	Description	How is the risk monitored and managed?
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 Plan's assets.	<p>The management of this risk has been considered and asset managers are expected to integrate this into their processes.</p> <p>The Trustee reviews the asset managers' policies and actions in relation to this from time to time.</p> <p>The Trustee policy on Responsible Investment and Corporate Governance is set out in Section 3.1.</p>
Operational risk		The risk of fraud, ineffective governance structure, poor advice or acts of negligence in the operation of the Plan.	<p>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.</p> <p>The Trustee reviews the Plan risk dashboard on a quarterly basis to ensure risks are identified and adequate controls are in place to ensure the effective running of the Plan 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.</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 Plan 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 Plan operates a risk management framework and as part of this framework the Plan 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 Plan’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 Plan.

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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan'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 ESG) from the Investment Adviser. All of the managers remained generally 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 Plan'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 them to discuss performance and their approach to ESG integration. Over the Plan 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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

Particular focus is placed on LGIM as they hold the most significant equity mandates in the Plan. The examples shown in Appendix B demonstrate examples of significant votes cast by the Plan'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, 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 Plan 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 Plan 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 trustees policies**

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 regular 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 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 trustees’ policies**

The section below, titled “Arrangements with Asset Managers – Implementation” provides further information on the implementation of these policies. At regular 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 were not satisfied with the progress that managers have made then further action or information would be sought from managers. If no further progress were 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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

From the information delivered over the year, the JDC 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.

Over the year to 31 December 2022, the Trustee reviewed the performance of the Plan'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 trustees monitor portfolio turnover costs incurred by the Asset Manager, and how they define and monitor 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 2021 and by publishing this information as part of the costs and charges disclosures mandated by regulations governing the Chair's Statement.

As the Plan invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, they 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 Plan. 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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 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 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 arrangements, 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 current approach to considerations around ESG, stewardship, climate change and non-financial matters within the Plan's investments, since adopting their current approach, the Trustee has sought member views, 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 Plan'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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 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 Plan's Default Options**

The GSK Lifecycle Drawdown option is the current default investment option for the Plan as members' accrued funds and contributions have been automatically directed to this investment option from the previous default option without members having instructed the Trustee where their contributions are to be invested. This is not a default arrangement for the purposes of auto-enrolment. Over the years just prior to retirement, this 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 Plan 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.

Some members will actively choose the default investment option because they feel it is the most appropriate for them. However, the vast majority of members are invested in the 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) as a result of it being used by over 80% of the membership of the Plan. This is not a default arrangement for the purposes of auto-enrolment. When the new GSK Lifecycle Pension Option was implemented as the default investment option for the Plan in June 2014, members with more than 10 years to their selected retirement date were moved to this new investment option, members with less than 10 years until their selected retirement date continue to be invested in the legacy GSK Lifecycle (pre 2014) investment 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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 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 (legacy investment option) comprises of 100% GSK Global Equity Index Fund until the member is 10 years from their normal retirement date or their selected target 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%

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 phases invest 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 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 aim 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*

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

*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 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 option manages 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 Plan's 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 Plan'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 Plan'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 Plan'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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan’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 ‘*Supplementary information to the Statement of Investment Principles (“SIP”) for the DC Section of the SBPP– September 2021*’ on the following:

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

- Defined Contribution (DC) Fund Asset Manager Summary
- Defined Benefit and Defined Contribution Sections: 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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 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 Plan. 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 Plan’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 Plan’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 Plan 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 Plan 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 Plan 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 Plan’s Investment Adviser prior to the decision being made.

## **1. Governance Arrangements**

The Trustee is responsible for the investment of the Plan 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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

<p><b>Trustee</b></p> <ul style="list-style-type: none"> <li>• Set structures and processes for carrying out its role.</li> <li>• Determine (with assistance from the JIC) targeted allocation strategy between return seeking and liability matching assets.</li> <li>• Determine (with assistance as required) the investment strategy, hedging strategy and insurance solutions.</li> <li>• Determine (with assistance as required) the climate change policy.</li> <li>• Monitor the JIC and consider proposals made by the JIC.</li> <li>• Review the Plan's participation in the CIF.</li> <li>• Select and monitor asset managers of the AVC assets.</li> <li>• Select the AVC investment options.</li> <li>• Select and monitor investment advisers.</li> </ul>	<p><b>JIC</b></p> <ul style="list-style-type: none"> <li>• Select and monitor investment advisers and asset managers for the DB pension schemes.</li> <li>• Assist the Trustee with setting its targeted asset allocation.</li> <li>• Assist the CIF in all investment related decisions in relation to the CIF's assets.</li> <li>• Maintain an Investment and Hedging Strategy ("IHS") document.</li> <li>• Set structures for implementing the IHS and make day to day decisions relevant to the operation of the IHS.</li> <li>• Set structures for implementing the climate change policy and make day to day decisions relevant to the operation of the climate change policy.</li> <li>• 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).</li> <li>• Require the asset managers to operate within the terms of this statement so far as practical.</li> </ul>
<p><b>Investment Advisers</b></p> <ul style="list-style-type: none"> <li>• Advise on all aspects of the investment of the Plan assets, ESG (including climate change) and implementation.</li> <li>• Advise on this statement.</li> <li>• Provide required training.</li> <li>• Advise the Trustee on suitability of the benchmarks used.</li> </ul>	<p><b>Asset Managers</b></p> <ul style="list-style-type: none"> <li>• 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</li> </ul>

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 Plan 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 Plan'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 Plan's liabilities.

2.2 Strategy

The planned asset allocation strategy was determined with regard to the liability profile and funding position of the Plan. 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 Plan's planned asset allocation strategy. The Trustee monitors the planned asset allocation strategy on an ongoing basis.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

### 2.3 Risk Measurement and Management

The Trustee recognises that the key risk to the Plan 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 Plan’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 Plan’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 Plan).
- 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 Plan’s funding level over time as part of its ongoing management of mismatching risk.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 Plan'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 Plan 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 Plan'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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 Plan 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 Plan's approach to risk was reviewed during the year, with an updated risk register and associated monitoring plans produced in 2022. The Plan's advisors began work on producing a quarterly Integrated Risk Management dashboard to help more succinctly monitor the varying actuarial, covenant and investment related risks that the Plan 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 Plan will, after having taken investment advice, decide an overall planned asset allocation for the Plan 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 Plan.

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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 Plan on an ad hoc basis, to discuss performance, market trends and any changes to objectives where relevant.

The decision was taken to disinvest from four 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 Plan'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 Plan 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 Plan's Asset Managers were rated 'Weak' with regards to ESG, with most rated as 'Good' or 'Strong' by the Plan'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 Plan.

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 Plan'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**

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan.

The examples shown in Appendix B demonstrate examples of significant votes cast by the Plan'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

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

**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 Plan 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 Plan.

**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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan'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 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.

**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 Plan's Investment Adviser conducts regular meetings with the Plan's underlying Asset Managers to review their investment performance, strategy and their performance as Sustainable Investors. The Plan'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 Plan'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 Plan'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).

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan'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 Plan 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 Plan'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 Plan'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 Plan'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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

---

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 Plan'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 Plan's AVC assets which are classified as direct investments are set out in the Plan'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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 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 Plan – September 2022*” on the fee structures for Managers and Advisers. In addition, details of the policies governing AVC arrangements are set out in the Plan’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 plan circumstances.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

**Appendix A – Manager Voting Responsibility**

To ensure voting behaviour is consistent with the Plan’s 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 key 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	Key votes undertaken over the year - 1 January 2022 to 31 December 2022
Nordea	<p>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’s funds shall act in the best interests of the customer, and act honestly, fairly and professionally.</p> <p>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.</p> <p>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.</p>	<p><b>Diversified Return</b></p> <p>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%</p>
HSBC	<p>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.</p> <p>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.</p> <p>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</p>	<p><b>Islamic Global Equity</b></p> <p>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%</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Manager	Manager proxy Voting Policy	Key votes undertaken over the year - 1 January 2022 to 31 December 2022
	<p>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 resolutions calling for increased disclosure on climate-related issues.</p>	
LGIM	<p>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.</p> <p>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.</p> <p>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.</p>	<p><b>LGIM GSK Lifecycle Fund</b> 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%</p> <p><b>LGIM GSK Retirement Income Multi-Asset Fund</b> 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%</p> <p><b>LGIM GSK Overseas Equity Fund</b> 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%</p> <p><b>LGIM GSK Diversified Growth Fund</b> 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%</p> <p><b>LGIM Global Equity Fund</b></p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Manager	Manager proxy Voting Policy	Key votes undertaken over the year - 1 January 2022 to 31 December 2022
		<p>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%</p> <p><b>LGIM GSK UK Equity Index Fund</b> 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%</p> <p><b>LGIM GSK Global Sustainable Equity Fund</b> 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%</p>
Fulcrum	<p>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.</p> <p>Glass Lewis' advice feeds automatically into the Broadridge platform where they execute the votes.</p>	<p><b>Diversified Absolute Return</b></p> <p>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:</p>
MAN	<p>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 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</p>	<p><b>Alternative Style Risk Premia</b></p> <p>Number of meetings eligible to vote: 849 Number of resolutions eligible to vote: 10,097 Proportion of votes with management: 86% Proportion of votes against management: 13% Proportion of votes abstained: &gt;1%</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Manager	Manager proxy Voting Policy	Key votes undertaken over the year - 1 January 2022 to 31 December 2022
	<p>against their policy, votes that need manual input and rejected votes that require further action.</p> <p>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.</p>	

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

**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%
Majedie UK Focus	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.	Total opportunities to vote = 767 Total votes were cast = 767 Votes for management = 98% Votes against management = 2% Votes to abstain = 0%
Majedie Global Focus		Total opportunities to vote = 652 Total votes were cast = 626 Votes for management = 90% Votes against management = 10% Votes to abstain = 0%

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

**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 Plan 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 Plan, 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	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 Trustee views Board Composition as a key priority to the Plan, as appropriate Boards are expected to run more efficient companies.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 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	<p>the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.</p> <p>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, experience, tenure, and background.</p> <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	<p>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,</p>	<p>The Trustee views Climate Change as a significant area for the Plan.</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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	<p>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.</p> <p>A vote FOR is applied, though not without reservations. While LGIM notes the inherent challenges in the decarbonization efforts of the Oil &amp; 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</p>	The Trustee views net zero targets as significant, and therefore are satisfied with LGIM’s approach to this voting.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 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	<p>downstream ambition and approach to exploration.</p> <p>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, 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.</p>	<p>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 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.</p>
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	<p>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 issues of concern, and would</p>	<p>The Trustee believes that increased transparency is an improvement on current practices, and therefore encouraged that HSBC are voting in line with this preference.</p>

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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 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	likely vote against management again should we see insufficient improvements.  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 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.	The Trustee views Climate Change as a significant area for the Plan, and are supportive of disclosures across all industries.
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	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	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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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
						instructions on its website.			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.	

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	Against Management – FOR Nordea did not inform management	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	The Trustee views Climate Change as a significant area for the Scheme, and is supportive of disclosures across all industries.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

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	investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks. 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 Plan. 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 Business Strategy to the Paris Agreement	Against Management – FOR MAN did not inform management of their voting intention prior to the vote.	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 Plan, and is supportive of disclosures across all industries.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

**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 Plan, 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 Plan, and are supportive of better disclosures across all industries.
MSCI World Low Carbon Target	LGIM	NVIDIA Corporation	2/6/22	Elect Director Harvey C. Jones	Against 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.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Fund	Manager	Company	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
Majedie UK Focus		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 Plan, as appropriately resourced Boards are expected to run more effective companies.
Global Focus	Majedie	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 provisions would likely require shareholder ratification. Also, the proposal only applies to	The Trustee views remuneration strategy as a key priority for the Plan, as appropriately remunerated Boards and teams are expected to run more effective companies.

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Fund	Manager	Company	Date of Vote	Resolution	How you voted	Outcome	Priority Area for GSK	Rationale for the voting decision	Trustee Comment
								<p>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.</p>	

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

**Appendix C – Benchmark and Target Allocations  
DC Section**

Fund	Underlying Fund	Benchmark	Fund Type
Lifecycle Fund	65.0%	GSK Global Equity 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	Passive
Global Equity Index	3.0%	LGIM - UK Equity Index	Passive
	3.0%	LGIM – Future World UK Equity Index	
	94.0%	GSK Overseas Equity Index	
	23.4%	LGIM - World (ex-UK) Developed Equity Index	
	23.4%	LGIM Future World Developed (ex UK) Equity Index Fund – GBP Hedged	
Overseas Equity Index	18.6%	LGIM - World (ex-UK) Developed Equity Index (Currency Hedged)	Passive
	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	Active
	28.6%	Nordea - Diversified Return	Active
	21.4%	Fulcrum – Diversified Absolute Return	Active
	21.4%	Man Group – Alternative Style Risk Premia	Active

**SmithKline Beecham Pension Plan  
IMPLEMENTATION STATEMENT  
Year ended 31 DECEMBER 2022**

Pre-Retirement Inflation Linked Asset	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**

**GSK COMMON INVESTMENT FUND**

**CONTENTS**

**YEAR ENDED 31 DECEMBER 2022**

---

<b>Contents</b>	<b>Page</b>
Trustee's and Advisers	<b>1</b>
Trustee's Report	<b>3</b>
Independent Auditor's Report	<b>11</b>
Fund Account	<b>15</b>
Statement of Net Assets Available for Benefits	<b>16</b>
Notes to the Financial Statements	<b>17</b>

---

**GSK COMMON INVESTMENT FUND****TRUSTEE'S AND ADVISERS****YEAR ENDED 31 DECEMBER 2022**

---

<b>Principal employer</b>	GlaxoSmithKline Services Unlimited (the "Company")
<b>Participating Schemes</b>	GSK Pension Scheme GSK Pension Fund SmithKline Beecham Pension Plan
<b>Trustee</b>	Berkeley Square Common Investment Fund Limited
<b>Trustee directors</b>	<b>Independent Directors</b>  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)  <b>Employer Nominated Directors</b>  Mr Allen Powley Mr Tim Woodthorpe  <b>Member Nominated Directors</b>  Mr Tom Houston Mr John Watson (resigned 31 July 2022) Mr Paul Blackburn (appointed 1 August 2022)
<b>Secretary to the trustee</b>	Ms Harminder Bhamm
<b>Accounting and Trustee support</b>	Towers Watson Limited (trading as WTW)
<b>Independent auditors</b>	Grant Thornton UK LLP
<b>Legal advisers</b>	Sacker & Partners LLP Eversheds Sutherland
<b>Performance measurement</b>	The Bank of New York Mellon (International) Limited
<b>Investment adviser</b>	Cardano Risk Management Limited
<b>Investment managers</b>	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)
<b>Custodian</b>	The Bank of New York Mellon (International) Limited

---

**GSK COMMON INVESTMENT FUND**

**TRUSTEE'S AND ADVISERS** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

<b>Bankers</b>	HSBC Bank plc
<b>Independent property valuer</b>	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.

## **GSK COMMON INVESTMENT FUND**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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](http://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.

---

## **GSK COMMON INVESTMENT FUND**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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.

**GSK COMMON INVESTMENT FUND****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022**

---

**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.

	<b>Benchmark Allocation</b>	<b>Benchmark</b>
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.

**GSK COMMON INVESTMENT FUND****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022****Asset Allocation** *(continued)*

The benchmarks for the managers are as follows:

<b>Fund Manager</b>	<b>Benchmark Allocation</b>	<b>Benchmark</b>
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:

<b>Fund Manager</b>	<b>Benchmark Allocation</b>	<b>Benchmark</b>
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.

	<b>1 Year returns</b>		<b>3 Year returns</b>		<b>5 Year returns</b>	
	<b>Portfolio Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Portfolio Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Portfolio Return (%)</b>	<b>Benchmark Return (%)</b>
<b>EQUITIES</b>						
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
<b>PROPERTY</b>						
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
<b>MULTI ASSET</b>						
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

**GSK COMMON INVESTMENT FUND****TRUSTEE'S REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2022**

---

**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:

<b>Fund Manager</b>	<b>Asset class</b>	<b>Appointed custodians</b>
Legal & General Farallon	Pooled equities	HSBC Global Investor Services/Citibank
Bridgewater	Multi Asset Fund	Goldman Sachs/Credit Suisse/Northern Trust
Amundi	Multi Asset Fund	BNYM/State Street/Northern Trust
Legal & General	Multi Asset Fund	Caceis
CBRE	Pooled property	Eversheds Sutherland/Maples Teesdale
	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.

---

## **GSK COMMON INVESTMENT FUND**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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>).

**GSK COMMON INVESTMENT FUND**

**TRUSTEE'S REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

**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**  
**Name**

**Signature**

**Trustee Director**  
**Title**

31/5/2023

## **GSK COMMON INVESTMENT FUND**

### **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.

---

## **GSK COMMON INVESTMENT FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE GSK COMMON INVESTMENT FUND** *(continued)*

**YEAR ENDED 31 DECEMBER 2022**

---

#### **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.

## **GSK COMMON INVESTMENT FUND**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE GSK COMMON INVESTMENT FUND** *(continued)*

#### **YEAR ENDED 31 DECEMBER 2022**

---

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**GSK COMMON INVESTMENT FUND**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE GSK COMMON  
INVESTMENT FUND *(continued)***

**YEAR ENDED 31 DECEMBER 2022**

---

**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**


---

	<b>Note</b>	<b>2022 £m</b>	<b>2021 £m</b>
Transactions with participating schemes	<b>5</b>	<b>(2,423.8)</b>	(105.1)
<b>Transactions with participating schemes</b>		<b>(2,423.8)</b>	(105.1)
<b>Returns on investments</b>			
Investment income	<b>6</b>	<b>10.6</b>	8.6
Change in market value of investments	<b>7</b>	<b>(645.3)</b>	715.6
Investment management expenses	<b>9</b>	<b>(5.5)</b>	(6.6)
<b>Net return on investments</b>		<b>(640.2)</b>	717.6
<b>Net (decrease)/increase in the fund during the year</b>		<b>(3,064.0)</b>	612.5
<b>Net assets of the Fund</b>			
At 1 January		<b>6,007.9</b>	5,395.4
<b>At 31 December</b>		<b>2,943.9</b>	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
<b>Investment assets</b>	<b>7</b>		
Property	<b>10</b>	<b>209.4</b>	228.6
Pooled investment vehicles	<b>11</b>	<b>2,703.9</b>	5,639.9
Cash and cash equivalents	<b>12</b>	<b>26.6</b>	137.9
Accrued income and tax recoverable	<b>13</b>	<b>0.1</b>	0.1
		<u><b>2,940.0</b></u>	<u>6,006.5</u>
<b>Current assets</b>	<b>18</b>	<b>13.2</b>	7.4
<b>Current liabilities</b>	<b>19</b>	<b>(9.3)</b>	(6.0)
<b>Net assets of the Fund at 31 December</b>		<u><u><b>2,943.9</b></u></u>	<u><u>6,007.9</u></u>

The financial statements on pages 15 to 30 were approved by the Trustee and signed on its behalf by:

**Mark Ashworth**  
Name

Signature

**Trustee Director**  
Title

**Tom Houston**  
Name

Signature

**Trustee Director**  
Title

31/5/2023

The notes on pages 17 to 30 form part of these financial statements.

## **GSK COMMON INVESTMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 31 DECEMBER 2022**

---

##### **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.

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022**

---

**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.
-

## **GSK COMMON INVESTMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 31 DECEMBER 2022**

---

##### **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.

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022****4. Participants in the Fund**

The table below gives a breakdown of the value of assets of the Fund between the Participating Schemes.

	<b>2022</b>	2021
	<b>£m</b>	£m
GSK Pension Scheme	<b>1,378.5</b>	2,759.8
GSK Pension Fund	<b>767.6</b>	1,502.9
SmithKline Beecham Pension Plan	<b>797.8</b>	1,745.2
	<b><u>2,943.9</u></b>	<u>6,007.9</u>

**5. Transactions with participating schemes**

	<b>2022</b>	2021
	<b>£m</b>	£m
Creation of units (from receipt of funds from Participating Schemes)	<b>(423.6)</b>	(483.9)
Redemption of units (from payments made on behalf of Participating Schemes)	<b>2,847.4</b>	589.0
	<b><u>2,423.8</u></b>	<u>105.1</u>

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**

	<b>2022</b>	2021
	<b>£m</b>	£m
Net rents from properties	<b>8.5</b>	8.1
Other income	<b>-</b>	0.1
Dividends from equities	<b>(0.2)</b>	(0.5)
Income from pooled investment vehicles	<b>0.2</b>	0.9
Interest on cash deposits	<b>2.1</b>	-
	<b><u>10.6</u></b>	<u>8.6</u>

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).

**GSK COMMON INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

**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	<u>5,639.9</u>	<u>1,482.2</u>	<u>(3,806.5)</u>	<u>(611.7)</u>	<u>2,703.9</u>
	<u>5,868.5</u>	<u>1,511.7</u>	<u>(3,821.8)</u>	<u>(645.1)</u>	<u>2,913.3</u>
Cash and cash equivalents	137.9			(0.2)	26.6
Other investment balances	<u>0.1</u>			<u>-</u>	<u>0.1</u>
	<u>6,006.5</u>			<u>(645.3)</u>	<u>2,940.0</u>

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	-	-
<b>Total</b>	<u>2.4</u>	<u>2.4</u>	<u>0.3</u>	<u>0.3</u>

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
	<u>5.5</u>	<u>6.6</u>

**GSK COMMON INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**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**

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Direct</b>		
Freehold	<b>208.7</b>	227.9
Leasehold	<b>0.7</b>	0.7
	<b><u>209.4</u></b>	<u>228.6</u>

**11. Pooled investment vehicles**

The holdings in pooled investment vehicles are analysed below.

	<b>2022</b>	2021
	<b>£m</b>	£m
Equity	<b>1,350.8</b>	3,953.3
Property	<b>251.2</b>	271.6
Multi asset funds	<b>1,101.9</b>	1,415.0
	<b><u>2,703.9</u></b>	<u>5,639.9</u>

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 crystallise 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**

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Cash assets</b>		
Cash and cash equivalents	<b><u>26.6</u></b>	<u>137.9</u>

**13. Accrued income and tax recoverable**

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Other investment balances assets</b>		
Accrued income	<b><u>0.1</u></b>	<u>0.1</u>

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022****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			Total £m
	Level 1 £m	Level 2 £m	Level 3 £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
	<u>238.1</u>	<u>2,491.6</u>	<u>210.3</u>	<u>2,940.0</u>

  

	At 31 December 2021			Total £m
	Level 1 £m	Level 2 £m	Level 3 £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
	<u>138.0</u>	<u>5,638.7</u>	<u>229.8</u>	<u>6,006.5</u>

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.

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 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 £m	Unrated £m	Total £m	Investment grade £m	Unrated £m	Total £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
<b>Total</b>	<b>26.6</b>	<b>2,703.9</b>	<b>2,730.5</b>	<b>137.9</b>	<b>5,639.9</b>	<b>5,777.8</b>

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022**

---

**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:

	<b>2022</b>	2021
	<b>£m</b>	£m
Unit Linked insurance contracts	<b>1,591.9</b>	3,449.1
Authorised unit trusts	<b>10.2</b>	9.9
Open ended investment companies	<b>211.4</b>	1,115.8
Shares of limited liability partnerships	<b>890.4</b>	1,065.1
<b>Total</b>	<b><u>2,703.9</u></b>	<b><u>5,639.9</u></b>

**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.

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022**

---

**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.

<b>Currency</b>	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Euro	<b>211.4</b>	–
US Dollar	<b>479.9</b>	555.5
<b>Total</b>	<b><u>691.3</u></b>	<b><u>555.5</u></b>

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.

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	<b><u>26.6</u></b>	<b><u>137.8</u></b>

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.

## **GSK COMMON INVESTMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 31 DECEMBER 2022**

---

#### **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.

**GSK COMMON INVESTMENT FUND****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022****16. Concentration of investments**

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

	<b>2022</b>		<b>2021</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Farallon FC0I II Currency Class Fund	<b>479.9</b>	<b>16.3</b>	556.0	9.2
Legal & General Low Carbon Fund	<b>477.0</b>	<b>16.2</b>	533.0	8.9
Legal & General North America Equity Index Fund	<b>456.7</b>	<b>15.5</b>	871.2	14.5
Bridgewater Optimal Portfolio II Fund	<b>410.6</b>	<b>13.9</b>	510.0	8.5
Amundi Multi-Strategy Growth Funds	<b>211.4</b>	<b>7.2</b>	–	–
Legal & General Europe (Ex UK) Equity Index Fund	<b>147.1</b>	<b>5.0</b>	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.

**GSK COMMON INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**18. Current assets**

	<b>2022</b>	2021
	<b>£m</b>	£m
Other debtors	<b>1.3</b>	0.7
Property rents receivable	<b>1.9</b>	1.8
VAT due from HMRC	<b>1.9</b>	–
Cash balances	<b>8.1</b>	4.9
	<b><u>13.2</u></b>	<u>7.4</u>

**19. Current liabilities**

	<b>2022</b>	2021
	<b>£m</b>	£m
Fees due to investment managers	<b>2.0</b>	1.5
Accruals for administration costs	<b>0.2</b>	0.1
Property rents received in advance	<b>3.4</b>	2.7
VAT creditors	<b>1.4</b>	1.4
Other creditors	<b>2.0</b>	0.1
Due to GSK Services Unlimited	<b>0.3</b>	0.2
	<b><u>9.3</u></b>	<u>6.0</u>

**GSK COMMON INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

---

**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.