# SMITHKLINE BEECHAM SENIOR EXECUTIVE PENSION PLAN

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

## PLAN REGISTRATION NUMBER: 10096664

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SMITHKLINE BEECHAM SENIOR EXECUTIVE PENSION PLAN

# TRUSTEES AND ADVISERS

## YEAR ENDED 31 DECEMBER 2022

| | |
|---|---|
| **Principal Employer** | SmithKline Beecham Limited |
| **Participating Employers** | GlaxoSmithKline Services Unlimited<br>GlaxoSmithKline Consumer Healthcare (UK) Trading Limited (terminated 25 March 2022) |
| **Trustee** | SmithKline Beecham Senior Executive Pension Plan Trustee Limited |
| **Trustee Directors** | **Independent Director**<br>The Law Debenture (JIC) Pension Trust Corporation - represented by Mr Keith Scott.<br><br>**Company Appointed Directors**<br>Mr Keith Bradford<br>Ms Moira Beckwith<br>Mr Tom Houston (Chairman)<br><br>**Member Nominated Directors**<br>Mr Steve Cowden (resigned 30 June 2022)<br>Mr John Elliot |
| **Secretary** | Ms Carolina Lyons (appointed 1 April 2022)<br>Mr James Chemirmir (resigned 31 March 2022) |
| **Plan administrator** | Towers Watson Limited (trading as WTW) |
| **Accounting and Trustee support** | GlaxoSmithKline Services Unlimited |
| **Actuary** | Mr Jonathan Gainsford FIA<br>Partner in the firm of Aon Solutions UK Limited |
| **Independent auditors** | Grant Thornton UK LLP |
| **Legal advisers** | Simmons & Simmons LLP |
| **Bulk annuity valuer** | Mr Greg Tucker<br>Associate Partner in the firm of Aon Solutions UK Limited |
| **Bulk annuity adviser and monitoring** | Lane Clark & Peacock LLP |
| **Investment adviser** | **Defined Benefit**<br>Cardano Limited<br><br>**Defined Contribution**<br>Mercer Limited |
| **Investment managers** | Legal and General Assurance (Pensions Management) Limited |
| **Custodian** | The Bank of New York Mellon (International) Limited |
| **Covenant adviser** | Penfida Limited |

| | |
|---|---|
| **Bulk annuity provider** | Aviva Life & Pensions UK Limited |
| **Bankers** | HSBC plc |
| **Performance measurement** | The Bank of New York Mellon (International) Limited |

**Background to GSK UK Pensions**

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

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

## Introduction

The Trustee is pleased to present its Annual Report and Financial Statements for the year ended 31 December 2022 for the SmithKline Beecham Senior Executive 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 and there are no existing active members accruing benefits. These DB benefits are secured by an Insurance Policy, further details of which are included on page 9.

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 Senior Executive 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 Trustee Board comprises of the Company appointed Trustee Directors, Independent Trustee Directors and the Member nominated Trustee 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 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.

**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:

| *Committee | Role | Members (representing this Scheme) |
|---|---|---|
| Joint Audit, Risk and Operations Committee | To oversee the relationship with the external auditors.<br>To review and approve the Financial Statements on behalf of the Trustee.<br>To monitor the risk management and control activity that is undertaken on behalf of the Trustee.<br>To monitor the annuity policies.<br>To act on behalf of all of the GSK UK Schemes. | Mr Keith Bradford<br>Mr John Elliot |
| Joint Defined Contribution Committee | To monitor the provision of defined contribution benefits.<br>To take investment decisions in respect of Defined Contribution investments which have been formally delegated to it by the Trustee.<br>To act on behalf of all of the GSK UK Schemes. | Ms Moira Beckwith (Chair) |
| Joint Investment Committee | To take investment decisions in respect of Defined Benefit investments which have been formally delegated to it by the Trustee<br>To act on behalf of all of the GSK UK Schemes. | The Law Debenture Pension Trust Corporation (JIC) Pension Trust Corporation-represented by Mr Keith Scott<br>Mr Tom Houston |
| Joint Special Situations Committee | To consider any corporate activities which impact the Plan. | The Law Debenture Pension Trust Corporation (JIC) Pension Trust Corporation – represented by Mr Keith Scott<br>Mr Keith Bradford<br>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.

### Changes to the Plan rules during the year

The SBSEPP was closed to future pension accrual with effect from 31 March 2022 by means of an agreement dated 25 March 2022.

### Financial developments and financial statements

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

### Statement of Trustee's responsibilities

### Trustee's responsibilities in respect of the financial statements

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

- show a true and fair view of the financial transactions of the 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 Regulation 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) 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.

### 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 | 3 | 71 | 632 | 706 |
| Adjustments to prior period* | – | (2) | 1 | (1) |
| New members joining** | – | – | 12 | 12 |
| Members retiring | – | (4) | 4 | – |
| Members leaving prior to pensionable age | (3) | 3 | – | – |
| Deaths | – | (2) | (25) | (27) |
| Transfers out | – | (2) | – | (2) |
| Full commutation | – | (1) | – | (1) |
| **At 31 December 2022** | – | 63 | 624 | 687 |

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

**The 12 new pensioners are members with widow's benefit.

The Plan closed to all active members with accrual ceasing 31 March 2022, so the 3 active members as at 31 December 2021 became deferred members in the Plan as at 01 April 2022 (2021: 3).

There are 157 spouses and 2 dependants included in the 624 pensioners as at 31 December 2022 (2021: 153 spouses and 2 dependants).

All pensioners and deferred members covered at 31 December 2022 and all active, deferred and pensioners members at 31 December 2021 are annuitants under the bulk annuity policy with Aviva or other historical annuity policies.

**Increases to pensions**

**Pensions in Payment – Pension Increases 1 January 2022**

Pension increases are awarded on 1 January each year. The Retail Price Index (RPI) is determined by the movement in the index over the 12-month period ending in the preceding September.

| Section | Element | Increase Cap | 2022 Award (2021) |
|---|---|---|---|
| Main Plan[1] | Service Prior to 6 April 1997 in Excess of GMP[2] | 3% or RPI if lower | 3.0% (1.1%) |
| Main Plan | Service Post 6 April 1997 in Excess of GMP | 5% or RPI if lower | 4.9% (1.1%) |
| Bovril | Pension in Excess of GMP | 5% or RPI if lower | 4.9% (1.1%) |

[1]Non-Bovril members who retired from service before 1 May 1990 receive a guaranteed increase on their pension in excess of the GMP of 3% per annum.

[2]The GMP is the minimum pension which a scheme must provide as one of the conditions of contracting-out of the State Second Pension (previously the State Earnings Related Pension Scheme) in respect of service completed prior to 6 April 1997.

**Preserved Pensions**

Fixed-rate statutory increases apply to deferred GMPs before they came 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 2017, 4.75% a year,
- between 6 April 2007 and 5 April 2012, 4.0% 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, 7.0% 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 prior to 31 December 1985 receive statutory increases on their 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 pension in excess of the GMP 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 in line with price inflation, up to a maximum of (as the increase applies to pension for service up to 5 April 2009) 5% per annum and (as the increase applies to pension for service after that date) 2.5% per annum.

These increases are governed by statute which provides for price inflation measured by reference to the Consumer Prices Index (or before 6 April 2011 RPI) taking into account of complete calendar years in the deferment period only.

**Pension increases** (continued)

Former members of the Bovril U.K. Retirement Plan who transferred into the Plan when the two Plans were merged in 1993 receive guaranteed increases on their pensions in excess of GMPs of the lesser of RPI increase and 8.5% per annum.

**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.

**GMP Equalisation**

Further details can be found in note 23.

**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.

**Buy in of liabilities**

As more fully explained in the Investment Report on page 15, on 9 May 2019 the Plan invested in a buy in policy which covered the majority of the liabilities of the Plan. As is common practice with such arrangements, at an agreed time after the policy has gone live, there is a true up exercise to reconcile any data that was incorrectly captured on inception. This true up exercise can result in either payment of additional premium to insure further benefits or a refund if insured benefits are to be reduced. The true-up of the data with Aviva has been carried out through 2020, 2021 and 2022, and is planned to be completed during 2023. Any additional premium due to Aviva or refund due from Aviva to the Plan will be accounted for when the amount due to or from the Plan is known.

**Actuarial liabilities**

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

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

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

| Valuation date | 31 December 2020 | 31 December 2017 |
|---|---|---|
| | £m | £m |
| Value of technical provisions | **701** | 654 |
| Value of assets available to meet technical provisions | **707** | 692 |
| Surplus/(Deficit) | **6** | 38 |
| Assets as a percentage of technical provisions | **101%** | 106% |

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.

| Valuation date | 31 December 2020 | 31 December 2017 |
|---|---|---|
| | £m | £m |
| Value of solvency liabilities | **706** | 724 |
| Value of assets available to meet solvency liabilities | **707** | 692 |
| (Deficit) | **1** | (32) |
| Assets as a percentage of solvency liabilities | **100%** | 96% |

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.

**Method**

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

**Significant actuarial assumptions**

Discount interest rate: based on the Aon Bulk Annuity Market Monitor yield curve for pensioners and non-pensioners, which are constructed from swap and UK corporate bond market curves.

Future Retail Price Inflation ("RPI"): Term-dependent rates derived from the "break-even" RPI swap markets.

Future Consumer Price Inflation ("CPI"): is derived at the valuation date by deducting RPI inflation less 0.6% p.a.

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. The inflation volatilities used are as implied by the LPI swap market.

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

Mortality:
Post-retirement mortality: For males and females, 95% of the SAPS S3 (normal health) "light" 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.

GMP equalisation
Approximate allowance made for the impact of GMP equalisation including the impact of historic transfers out of the Plan.

**Recovery plan**

The Plan was in surplus on technical provisions basis as at 31 December 2020 and therefore a recovery plan was not required. Contributions under the existing plan ceased from 5 November 2018.

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 19 of this Annual Report.

**Next full triennial valuation**

The next triennial valuation is at 31 December 2023.

## Investment report

### Investment managers

The Plan holds an annuity contract with Aviva Life & Pensions, which insures the majority of the liabilities under the Plan. This contract was purchased in May 2019.

At the year end the Plan held the majority of its assets in the form of an annuity contract with Aviva, with a small allocation to an index linked gilt fund with Legal & General.

Defined contribution and AVC assets are also held by the Plan with LGIM and Zurich.

### Investment policies

### Governance Process

The Trustee is 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 any operational and day to day decisions on behalf of the Trustee in accordance with its Statement of Investment Principles (SIP). At least two representatives of the Trustee will be members of the JIC and decisions regarding the Fund cannot be taken without at least one representative of the Trustee present.

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

**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, no changes were made to the AVC Section of the SIP during the year. The SIP was updated during the year to include how the Trustee monitors and engages with investment managers in relation to ESG matters.

The SIP is available on the GSK pensions website (www.gskpensions.co.uk) or from the Secretary to the Trustee, whose contact details are shown on page 18.

**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.

**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 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 and liability matching assets.

The target asset allocation is 100% liability matching assets. At 31 December 2022 the actual asset allocation was 100% to liability matching assets.

Liability matching assets are defined as those assets that provide an income and repayment cash flow which 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.

**Liability Matching Assets**

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

| Type of asset | Nature of assets |
|---|---|
| Annuity policy | This consists of a bulk annuity policy. |
| Index linked government bonds | These consist of UK Government index linked bonds. |

In conjunction with the Trustee and the Employer, for this Plan during the year the JIC determined the investment destination for the residual assets after the bulk annuity contract.

The JIC received detailed reports on operational matters and provided the stewardship function in respect of all assets that are owned directly by the Plan.

**Investment performance**

The Plan holds the majority of its assets in an Insurance Policy, which covers the majority of its liabilities. The Insurance Policy, by its nature, will increase and decrease in value in line with the movements in the underlying liabilities of the Plan.

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 this investment is driven by the same factors that cause the liabilities to change.

The Trustee measures its performance against the corresponding movements in liabilities, and therefore has not deemed it appropriate to express its performance, or performance against a benchmark, in the way an investment would normally be measured.

The other assets of the Plan at the year end consist of a small allocation to index linked gilts.

For this reason, we have not shown the investment performance of the Plan since May 2019, as a whole or by its component parts as we do not believe this information would be meaningful.

| Manager | |
|---|---|
| Legal & General Assurance (Pensions Management) Limited | **Pooled funds held in life assurance policies – unitised:** Current option available since March 2004. |
| Zurich Life Assurance Company Limited | **With profits assurance policies:** This was an investment option 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 Zurich members should contact the Plan administrator at the address on page 18.

**Investment performance** (continued)

| Legal & General Assurance (Pensions Management) Limited | 1 year % | 3 year (annualised) % | 5 year (annualised) % |
|---|---|---|---|
| GSK UK Equity Index Fund | 0.83 | 2.47 | 3.16 |
| GSK Overseas Equity Index Fund | (13.31) | 6.31 | 6.95 |
| GSK Cash Fund | 1.31 | 0.53 | 0.58 |
| GSK Global Equity Index Fund | (12.58) | 6.06 | 6.28 |
| GSK Inflation Linked Pre-Retirement Fund | (34.27) | (9.87) | (4.54) |
| GSK Global Sustainable Equity Fund* | (13.38) | n/a | n/a |

*No 3 year and 5 year performance data available as the fund was introduced in the year 2021.

**Annuity policy**

The bulk annuity policy is with Aviva Life & Pensions UK Limited ("Aviva") and is held in the name of the Plan. The key features of the policy are as follows:

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

<u>Valuation</u>
The policy is valued using scheme funding valuation basis provided by the actuary. Lane Clark & Peacock (LCP) performs an independent check to the Aviva valuation.

<u>Monitoring</u>
Regular monitoring of the policy takes place, both internally at Trustee level and with the GSK Management team.

**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**

There were no segregated assets under custody at the year end, as the only investments (apart from the annuity contract) are in pooled funds with LGIM and AVC policies.

**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.

**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 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.

As the majority of the Plan's assets are in the form of a Buy-in policy, the Trustee does not take the views of the members and beneficiaries, including (but not limited to) their views in relation to Sustainable Investment, which are fed back to the Trustee.

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

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

The Investment Adviser or Trustee 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.

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

The 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 the investment held in UK government securities was readily realisable as at the year end. The majority of the assets of the Plan are held in an insurance policy, which, by its nature, is not readily realisable. The Trustee regularly reviews and considers the Plan's liquidity and is satisfied that the Plan has sufficient liquidity for the foreseeable future.

**Review of Investment Operational Risk**

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

- Reviews of internal controls reports.
- Quarterly reviews of performance against benchmarks and agreed targets.
- Due diligence on new manager appointments.

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

**Employer related investments**

Employer related investments are disclosed in note 19 of the Financial Statements.

**Defined contribution section**

The defined contribution section relates to members of the defined benefit section who have previously paid additional voluntary contributions (AVCs) or transferred in benefits in on a defined contribution basis.

**Administration of the Plan**

The Trustee has delegated the day to day administration of the Plan to Willis Towers Watson.

**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 SIP Implementation Statement is shown as an Appendix to the Annual Report and Financial Statements and forms part of this report.

**Chair's Statement on DC Governance**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by The Occupational Pension Schemes (Charges and Governance) Regulations 2015, (together "the Administration Regulations") require the Trustee to include an annual statement regarding DC governance in the Annual Report. 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.

**Enquiries about the Plan**

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
Phone: 01737 227563

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

| **Tom Houston** | | **Trustee Director** |
|---|---|---|
| **Name** | **Signature** | **Title** |

31/5/2023

### Certification of schedule of contributions

**Name of scheme:** SmithKline Beecham Senior Executive Pension Plan

**Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contribution shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2020 to continue to be met for the period which the schedule is to be in force.

**Adherence to statement of funding principles**

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

The certification of the adequacy of 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<br>Ashley Road<br>Epsom<br>Surrey<br>KT18 5BS** | **Name of Employer** | **Aon Solutions UK Limited** |

**Summary of Contributions payable during the year ended 31 December 2022**

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

| | £m |
|---|---|
| Employer normal (salary sacrificed by members)* | - |
| Employer administrative expenses and PPF levies | 1.2 |
| Total contributions payable under the Schedules of Contributions and per note 5 to the Financial Statements | **1.2** |

*Employer normal (payable under salary sacrifice arrangements) were £4,061. These are shown as a "-" in the above table as it is presented in £m.

As required by the Pensions Act 1995, the Trustee agreed the Schedules of Contributions with the Employer, which was certified by the Actuary on 5 November 2018 and 25 March 2022. The Schedules of Contributions sets out the rates of employer and member contributions and also the dates by which contributions are to be paid to the Plan.

Approved by the Trustee and signed on its behalf.

| | | |
|---|---|---|
| **Tom Houston** | | **Trustee Director** |
| **Name** | **Signature** | **Title** |
| **David Wiggins** | | **Trustee Director** |
| **Name** | **Signature** | **Title** |

31/5/2023

## INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE SMITHKLINE BEECHAM SENIOR EXECUTIVE PENSION PLAN

## YEAR ENDED 31 DECEMBER 2022

We have examined the summary of contributions to the SmithKline Beecham Senior Executive Pension Plan (the 'Plan') for the Plan year ended 31st December 2022 which is set out on page 20.

In our opinion, contributions for the Plan year ended 31st 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 Schedules 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 on pages 6 and 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 Schedule of contributions.

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

**Use of our statement**

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

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
London

Date 31/5/2023

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF SMITHKLINE BEECHAM SENIOR EXECUTIVE PENSION PLAN

## YEAR ENDED 31 DECEMBER 2022

### Opinion

We have audited the financial statements of the SmithKline Beecham Senior Executive Pension Plan (the 'Plan') for the year ended 31st 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 Regulation 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.

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. 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 Plan, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan 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 Plan 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 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 hard to value assets using a method not permitted under the SORP.

Our audit procedures involved:

- understanding of controls that the Trustee has in place to prevent and detect fraud,
- journal entry testing, with a focus on large manual journals to unusual account combinations,
- 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 insurance policy and derivative contracts.

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

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

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

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

**Use of our report**

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

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
London

Date 31/5/2023

## FUND ACCOUNT

## YEAR ENDED 31 DECEMBER 2022

| | Note | Defined benefit section 2022 £m | Defined contribution section 2022 £m | **Total 2022 £m** | Total 2021 £m |
|---|---|---|---|---|---|
| **Contributions and benefits** | | | | | |
| Employer contributions | | **1.2** | **–** | **1.2** | 0.7 |
| Total contributions | **5** | **1.2** | **–** | **1.2** | 0.7 |
| Benefits paid or payable | **6** | **(30.7)** | **–** | **(30.7)** | (28.8) |
| Payments to and on account of leavers | **7** | **(4.9)** | **–** | **(4.9)** | (4.3) |
| Administrative expenses | **8** | **(1.3)** | **–** | **(1.3)** | (0.8) |
| | | **(36.9)** | **–** | **(36.9)** | (33.9) |
| **Net withdrawals from dealings with members** | | **(35.7)** | **–** | **(35.7)** | (33.2) |
| **Returns on investments** | | | | | |
| Investment income | **9** | **0.3** | **–** | **0.3** | 0.3 |
| Change in market value of investments | **10** | **(152.0)** | **(0.2)** | **(152.2)** | (31.2) |
| **Net return on investments** | | **(151.7)** | **(0.2)** | **(151.9)** | (30.9) |
| **Net (decrease) in the fund during the year** | | **(187.4)** | **(0.2)** | **(187.6)** | (64.1) |
| **Net assets of the Plan** | | | | | |
| At 1 January | | **644.1** | **1.9** | **646.0** | 710.1 |
| **At 31 December** | | **456.7** | **1.7** | **458.4** | 646.0 |

**The notes on pages 28 to 46 form part of these financial statements.**

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

## AS AT 31 DECEMBER 2022

| | Note | Defined benefit section 2022 £m | Defined contribution section 2022 £m | **Total 2022 £m** | Total 2021 £m |
|---|---|---|---|---|---|
| **Investment assets** | **10** | | | | |
| Pooled investment vehicles | **13** | **2.2** | **1.7** | **3.9** | 5.3 |
| Insurance policies | **14** | **451.0** | **–** | **451.0** | 637.4 |
| | | **453.2** | **1.7** | **454.9** | 642.7 |
| **Current assets** | **20** | **3.9** | **–** | **3.9** | 3.6 |
| **Current liabilities** | **21** | **(0.4)** | **–** | **(0.4)** | (0.3) |
| **Net assets of the Plan at 31 December** | | **456.7** | **1.7** | **458.4** | 646.0 |

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 10 to 11 of the Annual Report, and these Financial Statements should be read in conjunction with that report.

The Financial Statements on pages 26 to 46 were approved by the Trustee on 31 May 2023 and signed on its behalf by:

| | | |
|---|---|---|
| **Tom Houston** | | **Trustee Director** |
| **Name** | **Signature** | **Title** |
| **John Elliot** | | **Trustee Director** |
| **Name** | **Signature** | **Title** |

**The notes on pages 28 to 46 form part of these financial statements.**

## 1. General information

The SmithKline Beecham Senior Executive 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 and there are no existing active members accruing benefits.

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 Senior Executive 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 Trustees continue to believe this to be an appropriate basis in view of the actuarial valuation results as at 31 December 2020.

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

### Fund account

| | Note | Defined benefit section 2021 £m | Defined contribution section 2021 £m | **Total 2021 £m** |
|---|---|---|---|---|
| **Contributions and benefits** | | | | |
| Employer contributions | | 0.7 | – | 0.7 |
| Total contributions | **5** | 0.7 | – | 0.7 |
| Benefits paid or payable | **6** | (28.8) | – | (28.8) |
| Payments to and on account of leavers | **7** | (4.1) | (0.2) | (4.3) |
| Administrative expenses | **8** | (0.8) | – | (0.8) |
| | | (33.7) | (0.2) | (33.9) |
| **Net withdrawals from dealings with members** | | (33.0) | (0.2) | (33.2) |
| **Returns on investments** | | | | |
| Investment income | **9** | 0.3 | – | 0.3 |
| Change in market value of investments | **10** | (31.4) | 0.2 | (31.2) |
| **Net return on investments** | | (31.1) | 0.2 | (30.9) |
| **Net (decrease) in the fund during the year** | | (64.1) | – | (64.1) |
| **Net assets of the Plan** | | | | |
| At 1 January | | 708.2 | 1.9 | 710.1 |
| **At 31 December** | | 644.1 | 1.9 | 646.0 |

### Statement of net assets available for benefits

| | Note | Defined benefit section 2021 £m | Defined contribution section 2021 £m | Total 2021 £m |
|---|---|---|---|---|
| **Investment assets** | **10** | | | |
| Pooled investment vehicles | **13** | 3.4 | 1.9 | 5.3 |
| Insurance policies | **14** | 637.4 | – | 637.4 |
| | | 640.8 | 1.9 | 642.7 |
| **Current assets** | **20** | 3.6 | – | 3.6 |
| **Current liabilities** | **21** | (0.3) | – | (0.3) |
| **Net assets of the Plan at 31 December** | | 644.1 | 1.9 | 646.0 |

**4. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied 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.

**Contributions**

Employee's normal contributions are accounted for on an accruals basis and in the payroll period to which they relate, at rates set out in the Plan rules.

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

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 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.

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

**Administrative expenses, investment management expenses and life assurance premiums**

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

**Investment income**

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

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

**Investments**

All investments are held at fair value.

Pooled investment vehicles
Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.

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

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.

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

Insurance policies – defined benefit
The Plan holds an insurance policy in the form of a buy-in arrangement with Aviva. The fair value of the insurance policy 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.

The bulk annuity policy held with Aviva is valued using scheme funding valuation basis provided by Aon (2021: Aon). The method they have used to value the policy is to calculate a value which is equivalent to an estimate of the present value of future obligations, based on a roll forward of technical provision value from the most recent actuarial valuation, which is allowed under the SORP.

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

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

Any premium or refund due on true up of the liability data will be accounted for when the payment or receipt has occurred, or on an accruals basis if a reliable estimate were available.

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

Annuity policies

There are also certain smaller historical annuity policies held to cover pensions in payment in respect of certain defined benefit members. These policies are separate from the bulk buy in with Aviva. When these policies were purchased, they were specifically allocated to the provision of benefits for individual members. Each policy provided all the benefits due to that member. The full acquisition costs of such policies were treated as an expense in the Fund Account in the period in which they arose. This treatment was in accordance with the SORP in place at the time. No policies have been purchased for around 25 years.

The Trustee has not included the value of these policies in the Statement of Net Assets available for Benefits as it does not regard the amounts involved as being material. The last estimate of the value of these policies was prepared as part of the actuarial valuation at 31 December 2020 and was approximately £1.6m (at 31 December 2017 valuation: £5m).

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

**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 Plan, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Insurance Policy with Aviva. Explanation of the key assumptions underpinning the valuation of investments are included above and within notes 14 and 16.

## 5. Contributions

| | **2022**<br>**Defined benefit section**<br>**£m** | **Defined contribution section**<br>**£m** | **Total**<br>**£m** |
|---|---|---|---|
| **Employer contributions** | | | |
| Administrative expenses and PPF levies | **1.2** | **–** | **1.2** |

| | 2021<br>Defined benefit section<br>£m | Defined contribution section<br>£m | Total<br>£m |
|---|---|---|---|
| **Employer contributions** | | | |
| Administrative expenses and PPF levies | 0.7 | – | 0.7 |

## 6. Benefits paid or payable

| | **2022 Defined benefit section £m** | **Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Pensions | **28.7** | **–** | **28.7** |
| Lump sums on retirement | **1.2** | **–** | **1.2** |
| Lump sum death benefits | **0.8** | **–** | **0.8** |
| | **30.7** | **–** | **30.7** |

| | 2021 Defined benefit section £m | Defined contribution section £m | Total £m |
|---|---|---|---|
| Pensions | 28.2 | – | 28.2 |
| Lump sums on retirement | 0.6 | – | 0.6 |
| Lump sum death benefits | – | – | – |
| | 28.8 | – | 28.8 |

## 7. Payments to and on account of leavers

| | **2022 Defined benefit section £m** | **Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Individual transfers out | **4.9** | **–** | **4.9** |

| | 2021 Defined benefit section £m | Defined contribution section £m | Total £m |
|---|---|---|---|
| Individual transfers out | 4.1 | 0.2 | 4.3 |

## 8. Administrative expenses

| | **2022 Defined benefit section £m** | **Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Administration and processing | **0.4** | **–** | **0.4** |
| Professional fees | **0.2** | **–** | **0.2** |
| Trustee fees and insurance | **0.1** | **–** | **0.1** |
| Other expenses | **0.6** | **–** | **0.6** |
| | **1.3** | **–** | **1.3** |

## 8. Administrative expenses *(continued)*

| | 2021 Defined benefit section £m | 2021 Defined contribution section £m | Total £m |
|---|---|---|---|
| Administration and processing | 0.2 | – | 0.2 |
| Professional fees | 0.3 | – | 0.3 |
| Trustee fees and insurance | 0.1 | – | 0.1 |
| Other expenses | 0.2 | – | 0.2 |
| | 0.8 | – | 0.8 |

The Employer makes a contribution to cover the expected costs of administering the Plan, as shown in note 5.

Included in professional fees is audit fees of £0.03m (2021: £0.03m) and investment consultancy fees of £0.01m (2021: £0.02m)

## 9. Investment income

| | **2022 Defined benefit section £m** | **2022 Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Annuity income | **0.3** | **–** | **0.3** |

| | 2021 Defined benefit section £m | 2021 Defined contribution section £m | Total £m |
|---|---|---|---|
| Annuity income | 0.3 | – | 0.3 |

## 10. Reconciliation of investments

### Defined benefit section

| | Value as 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 | 3.4 | – | – | (1.2) | 2.2 |
| Insurance policies | 637.4 | – | (35.6) | (150.8) | 451.0 |
| | 640.8 | – | (35.6) | (152.0) | 453.2 |

### Defined contribution section

| | Value as 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 | 1.9 | 0.4 | (0.4) | (0.2) | 1.7 |

## 11. Investment transaction costs

Indirect transaction costs are included in the cost of purchases and deducted from the sales proceeds in the reconciliation in note 10.

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.

## 12. 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.

## 13. Pooled investment vehicles

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

| | **2022 Defined benefit section £m** | **Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Equities | **–** | **0.7** | **0.7** |
| Bonds | **2.2** | **–** | **2.2** |
| Cash | **–** | **0.8** | **0.8** |
| Pre-retirement Inflation linked | **–** | **0.2** | **0.2** |
| | **2.2** | **1.7** | **3.9** |

| | 2021 Defined benefit section £m | Defined contribution section £m | Total £m |
|---|---|---|---|
| Equities | – | 1.2 | 1.2 |
| Bonds | 3.4 | – | 3.4 |
| Cash | – | 0.4 | 0.4 |
| Pre-retirement Inflation linked | – | 0.3 | 0.3 |
| | 3.4 | 1.9 | 5.3 |

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

## 14. Insurance policies

| | **2022 Defined benefit section £m** | **Defined contribution section £m** | **Total £m** |
|---|---|---|---|
| Annuities | **451.0** | **–** | **451.0** |

| | 2021 Defined benefit section £m | Defined contribution section £m | Total £m |
|---|---|---|---|
| Annuities | 637.4 | – | 637.4 |

**14. Insurance policies** ***(continued)***

The Trustee holds an insurance policy with Aviva Life & Pensions UK Limited which provides annuity income to match the current and future pension payments for the majority of the members of the Plan.

Further details can be found in the Investment section of the Trustee's Report.

This policy was purchased in May 2019 and it is common practice with such arrangements, at an agreed time after the policy has gone live, there is a true up exercise to reconcile any data that was incorrectly captured on inception. This true up exercise can result in either payment of additional premium to insure further benefits or a refund if insured benefits are to be reduced. The true up of the data with Aviva is still in progress, with completion expected by the end of 2023. Any additional premium due to Aviva or refund due from Aviva to the Plan will be accounted for in 2023 as no reliable estimate is currently available.

**15. Defined contribution assets**

Defined contribution assets can be split into 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.

The analysis is as below:

| | **2022** **£m** | 2021 £m |
|---|---|---|
| Allocated to members | **1.3** | 1.3 |
| Not allocated to members | **0.4** | 0.6 |
| | **1.7** | 1.9 |

The AVC assets are held for one member and the valuation as at 31 December 2022 was £10k (2021: £9.6k).

**16. 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.

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

The analysis for the current and prior year ends is as follows:

| | **At 31 December 2022** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **£m** | **£m** | **£m** | **£m** |
| **Defined benefit section** | | | | |
| Pooled investment vehicles | **–** | **2.2** | **–** | **2.2** |
| Insurance policies | **–** | **–** | **451.0** | **451.0** |
| | **–** | **2.2** | **451.0** | **453.0** |
| **Defined contribution section** | | | | |
| Pooled investment vehicles | **–** | **1.7** | **–** | **1.7** |
| | **–** | **3.9** | **451.0** | **454.7** |

| | At 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | £m | £m | £m | £m |
| **Defined benefit section** | | | | |
| Pooled investment vehicles | – | 3.4 | – | 3.4 |
| Insurance policies | – | – | 637.4 | 637.4 |
| | – | 3.4 | 637.4 | 641.8 |
| **Defined contribution section** | | | | |
| Pooled investment vehicles | – | 1.9 | – | 1.9 |
| | – | 5.3 | 637.4 | 643.7 |

## 17. 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.

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

**Defined benefit section**

**Credit risk**

Direct credit risk arises where the Plan holds an annuity policy and is invested in a pooled investment vehicle.

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 |
| Insurance policy | **-** | **451.0** | **451.0** | - | 637.4 | 637.4 |
| Pooled Investment vehicle | **-** | **2.2** | **2.2** | - | 3.4 | 3.4 |
| **Total** | **-** | **453.2** | **453.2** | - | 640.8 | 640.8 |

Direct credit risk arises from exposure to Aviva, as issuer of the annuity policy. This credit risk is mitigated by the regulatory environments in which the provider operates. The Trustee also carried out due diligence checks on the appointment of the provider, and on an ongoing basis monitors any changes to the regulatory and operating environment of the insurance provider, including checking credit ratings.

The Plan also invests in a pooled investment vehicle managed by Legal & General Investment Management and therefore is directly exposed to credit risk in relation to the instruments it holds in those vehicles. The Plan's holdings in the pooled investment vehicle is unquoted and is not investment grade rated itself, although the underlying investments are investment grade rated. Direct credit risk arising from the pooled investment vehicle 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 manager operates and diversification of investments within the vehicle. The Trustee also carries out due diligence checks on the appointment of any new pooled investment managers and on an ongoing basis, monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicle by type of arrangement is as follows:

| | **2022 £m** | 2021 £m |
|---|---|---|
| Unit Linked insurance contracts | **2.2** | 3.4 |
| **Total** | **2.2** | 3.4 |

**Currency risk**

There was no currency risk within the investments at the year end because all investments held were denominated in Sterling.

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

**Interest rate risk**

Interest rate risk arose where the Plan invested in a pooled investment vehicle and in respect of the insurance policy held with Aviva. A summary of exposure to interest rate risk is given in the following table. The notes below explain how this risk is managed.

| | **2022** | 2021 |
|---|---|---|
| | **£m** | £m |
| Bonds – pooled investment vehicle | **2.2** | 3.4 |
| **Total** | **2.2** | 3.4 |

The Plan invested in a pooled investment vehicle consisting of index linked gilts and is therefore directly exposed to interest rate risk in relation to the instruments it holds in that vehicle. Interest rate risk arising from the holdings in that vehicle is not mitigated as the risk is taken strategically in the context of hedging movements in the Plan liabilities.

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

**Other price risk**

Due to the nature of the investments held, there was no other price risk within the investments at the year end.

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

**Defined contribution section**

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, 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 Senior Executive Pension Plan and are invested in other funds available through the L&G platform but with more beneficial pricing arrangements. Six such funds are available; UK Equity, Cash, Global Equity, Overseas Equity, Pre Retirement Inflation Linked and Global Sustainable Equity.

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.

| **Fund name** | **Credit risk** | **Currency risk** | **Interest rate risk** | **Other price risk** | **2022** | *2021* |
|---|---|---|---|---|---|---|
| | | | | | **£m** | *£m* |
| LGIM GSK UK Equity Ind (Net) | ✓ | x | x | ✓ | **0.1** | *0.3* |
| LGIM GSK Cash Fund (Net) | ✓ | x | ✓ | x | **0.8** | *0.4* |
| LGIM GSK Inf Link Pre-Ret Net | ✓ | x | ✓ | ✓ | **0.2** | *0.3* |
| LGIM GSK Overseas Equity Index Net | ✓ | ✓ | x | ✓ | **0.1** | *0.4* |
| LGIM GSK Global Equity Index Net | ✓ | ✓ | x | ✓ | **0.5** | *0.5* |
| **Total** | | | | | **1.7** | *1.9* |

**17. 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.

**18. Concentration of investments**

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

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **£m** | **%** | £m | % |
| Insurance policy | **451.0** | **98.4** | 637.4 | 98.7 |

**19. Employer related investments**

The Occupational Pension Schemes (Investment) Regulations 2005 limit the total investment by a pension scheme in its sponsoring group to 5% of the scheme's total assets at market value. There were no 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. There was no indirect exposure at 31 December 2022 (2021: £nil) under the above regulations, however, on a full look through basis a reasonable estimate of the indirect exposure in pooled investment vehicles at 31 December 2022 was less than 0.01% (2021: less than 0.01%).

## 20. Current assets

| | 2022 Defined benefit section £m | 2022 Defined contribution section £m | **Total £m** |
|---|---|---|---|
| Contributions due in respect of: | | | |
| Employers | 0.1 | – | 0.1 |
| Benefits paid in advance | 1.8 | – | 1.8 |
| Cash balances | 2.0 | – | 2.0 |
| | 3.9 | – | 3.9 |

| | 2021 Defined benefit section £m | 2021 Defined contribution section £m | Total £m |
|---|---|---|---|
| Contributions due in respect of: | | | |
| Employers | – | – | – |
| Benefits paid in advance | 1.8 | – | 1.8 |
| Cash balances | 1.8 | – | 1.8 |
| | 3.6 | – | 3.6 |

## 21. Current liabilities

| | 2022 Defined benefit section £m | 2022 Defined contribution section £m | **Total £m** |
|---|---|---|---|
| Accrued expenses | 0.1 | – | 0.1 |
| Due to GSK Services Unlimited | 0.3 | – | 0.3 |
| | 0.4 | – | 0.4 |

| | 2021 Defined benefit section £m | 2021 Defined contribution section £m | Total £m |
|---|---|---|---|
| Accrued expenses | 0.1 | – | 0.1 |
| Due to GSK Services Unlimited | 0.2 | – | 0.2 |
| | 0.3 | – | 0.3 |

## 22. Related party transactions

The following related party transactions are disclosable:-

**Key management personnel of the Plan**

During the year the Plan paid pensions to five of the Trustee Directors (2021: five) who were members of the Plan during their employment with the GSK Group. Three of the Trustee Directors (2021: three) and two of the Trustee Directors' (2021: two) spouses/partners 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, three Trustee Directors (2021: three) 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 for their services as Trustee Directors (2021: six). These fees are included within administrative expenses in note 8. In addition, five of the Trustee Directors received fees from other connected GSK Pension Schemes (2021: five) 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.

**Other related parties**

During the year the Plan was charged £1.3m (2021: £1.0m) by GlaxoSmithKline Services Unlimited for the costs incurred by the Company in administering the Plan.

At the year end £0.3m (2021: £0.2m) was due to the principal employer in respect of costs paid on behalf of the Plan.

At the year end there was £nil payable by the Plan to another connected Pension Plan, the SmithKline Beecham Pension Plan (2021: £nil).

**23. Contingent liabilities**

**GMP Equalisation**

In October 2018, the High Court determined that Guaranteed Minimum Pensions (GMPs), provided to members of occupational pension schemes who had previously contracted-out of the State Earnings-Related Pension Scheme (SERPS), must be equalised. This is to reflect the equalisation of state pension ages between May 1990 and April 1997 and to take account of other historic differences in GMPs for men and women. A subsequent ruling stated that pension scheme trustees must revise and equalise the values of historic transfers out of GMPs to ensure there are no gender-based differences.

The 2020 Actuarial valuation reports signed 25 March 2022, an allowance equal to 0.3% of the total pre-equalisation liabilities of the Plan 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 0.3% allowance amounted to £2m as at 31 December 2020. This provision is not reflected in these financial statements.

The Trustee has reviewed, with its advisers, the implications of these rulings on the Plan and will communicate with the members about this in 2024. The total liability impact for the project is expected to be unchanged from that previously disclosed.

**Annuity policy**

Furthermore, as part of the terms of the contract associated with the insurance policy with Aviva, a true-up exercise will take place when a data validation exercise is complete. This may result in a fully quantified adjustment to the policy premium.

There were no other contingent liabilities requiring disclosure.

**24. Contractual commitments**

There were no contractual commitments at the year end in respect of uncalled capital on investments (2021: £Nil).

**25. Subsequent events**

There were no events subsequent to the year end which require disclosure in the Financial Statements.

## Introduction

As Chair of the Trustee of the SmithKline Beecham Senior Executive 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.

- Default arrangements;
- Review of any 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 Defined Benefit Section, the member of which can contribute Additional Voluntary Contributions ("AVCs") on a money purchase basis. This Statement covers these AVC arrangements and for the purposes of this Statement this will referred to as the DC Section.

The DC Section is closed to new members but is currently open to future contributions.

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.

This 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.

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
Phone: 01737 227563

## Default arrangements

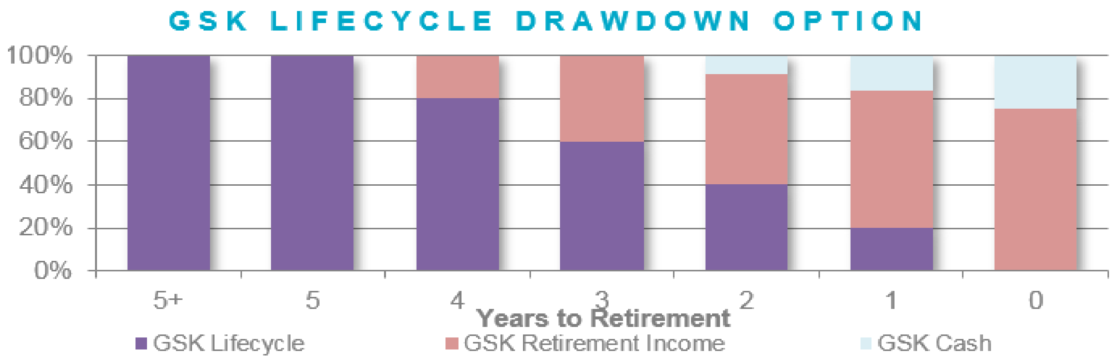
A default DC investment arrangement is an arrangement designed for members who do not choose an investment option for their DC contributions. Members can also choose to invest in a default arrangement which is selected by the Trustee.

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.

## Review of the Default arrangement

Where a default arrangement exists, the Trustee is expected to:-

- Review the investment strategy, objectives and performance of any default investment arrangement at regular intervals, 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 Plan 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, which resulted in the following changes implemented in 2020 and during this Scheme Year:

- Updating some of the component parts of the GSK Lifecycle Fund, including changing the underlying funds used within the GSK Global Equity and Diversified Growth Fund (DGF).
- The default arrangement was changed from Lifecycle targeting annuity to a Lifecycle targeting drawdown.
- Within the default, 50% of the passive equity allocation was changed to ESG-focused equity funds. A sustainable equity fund was introduced as a self-selection option for members.

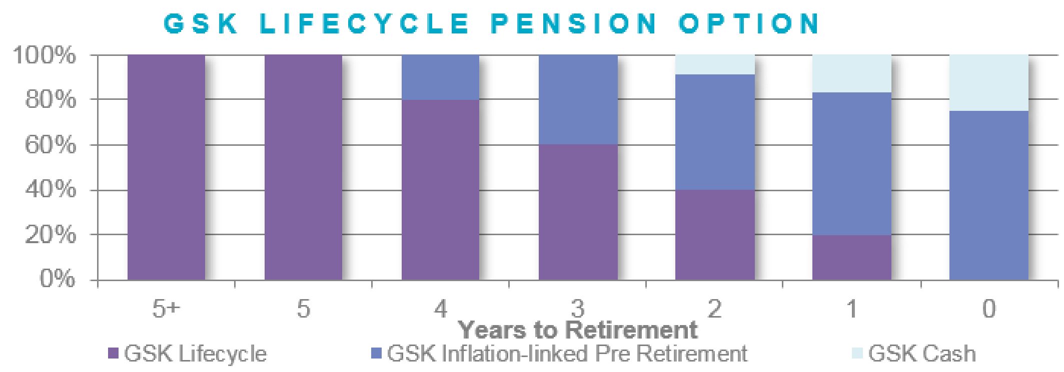
A proposal of total glidepath structure was mentioned during the year for the GSK Lifecycle Drawdown Option, GSK Lifecycle Pension Option and GSK Lifecycle Cash Option in which a Growth Fund would be introduced.

The Trustee reviews the arrangements regularly with the next formal review of the default arrangement underway and expected to conclude in 2023.

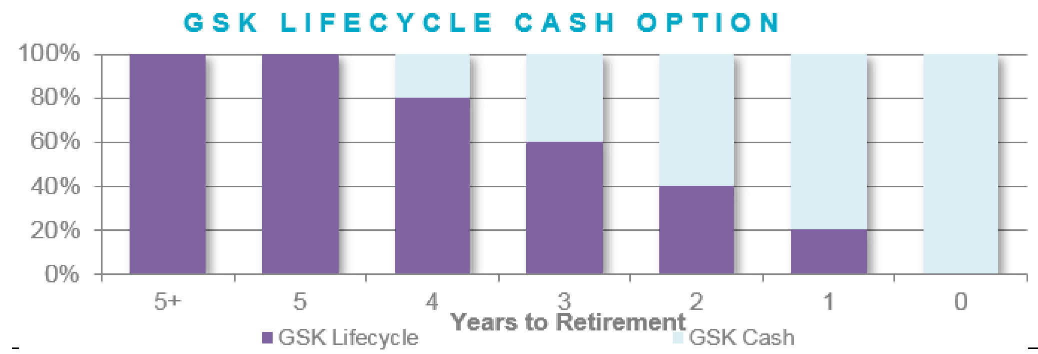
## Other Lifecycle Funds available

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

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




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



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

Full details on the new fund choices 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 & 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, an d 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.

| Administrator | | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 |
|---|---|---|---|---|---|
| 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.

During the year, the administrators provided quarterly reports, which included performance against the SLA requirements 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 the 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.

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 provide d 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.

## 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***

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

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

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

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

***Self-Select Funds***

| **Self-select funds** | **Annualised returns to 31 December 2022 (%)** | |
|---|---|---|
| | **1 year** | **5 year** |
| GSK UK Equity Index Fund | 0.8 | 3.2 |
| GSK Overseas Equity Index Fund | -13.3 | 7.0 |
| GSK Global Equity Index Fund | -12.6 | 6.3 |
| GSK Inflation Linked Pre-Retirement Fund | -34.3 | -4.5 |
| GSK Cash Fund | 1.3 | 0.6 |
| GSK Diversified Growth Fund | -0.9 | 2.9 |
| GSK Lifecycle Fund | -8.6 | 5.3 |
| GSK Shariah Fund | -15.8 | n/a* |
| GSK Retirement Income Fund | -7.5 | n/a* |
| GSK Global Sustainable Equity Fund | -13.4 | n/a* |
| Zurich Traditional With-Profits | 6.0 | 6.1 |
| Prudential With-Profits | TBC | TBC |

*Source: LGIM.*
**Due to the inception dates of these funds, longer term performance is not available. Performance of the With-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 arrangement, 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 Scheme. This can incorporate a range of costs including broker fees, transaction taxes, custody fees and implicit costs of executing transactions.

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

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

| Fund | Total Member Charge (% p.a.) | Transaction Costs (%) |
|---|---|---|
| 1 year to retirement | 0.1224 | 0.1189 |
| 0 years to retirement | 0.0825 | 0.0574 |
| **GSK UK Equity Index Fund** | 0.0225 | 0.0376 |
| **GSK Inflation Linked Pre-Retirement Fund** | 0.0500 | 0.2026 |
| **GSK Cash Fund** | 0.0825 | 0.0574 |
| **GSK Lifecycle Fund** | 0.2820 | 0.3651 |
| **GSK Diversified Growth Fund** | 0.6673 | 0.8513 |
| **GSK Overseas Equity Index Fund** | 0.0800 | 0.1026 |
| **GSK Global Equity Index Fund** | 0.0773 | 0.1037 |
| **GSK Shariah Fund** | 0.3200 | -0.0157 |
| **GSK Retirement Income Fund** | 0.2842 | 0.1454 |
| **GSK Global Sustainable Equity Fund** | 0.0880 | 0.0939 |
| **Zurich With-Profits Unit-linked Series 1** | 0.5000 | 0.0800 |
| **Zurich With-Profits Unit-linked Series 4** | 0.8100 | 0.0600 |
| **Prudential With-Profits Cash Accumulation Fund** | TBC | 0.1000 |
| **Prudential With-Profits Cash Accumulation Fund Series 2** | TBC | 0.1000 |

*Source: L&G, Zurich 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 available, the Trustee, with its advisers, is actively chasing them to release up to date information, and has requested they outline their timescales for providing this information.

## Impact of charges and transaction costs

To provide members with a guide to show the impact of costs and charges, 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 reflect the position for a typical young member. It also assumes an overall contribution level of 15% per annum; 5% contribution by the member and 10% from the company (the 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 |

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.

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

The Trustee concluded that the 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.

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

| Date | Training subject | Undertaken by |
|---|---|---|
| 15 February 2022 | Fulcrum training, covering Fulcrum's strategy, the investment process, current portfolio, risk management, responsible investing and macroeconomic outlook. | Joint DC Committee (JDCC) |
| 17 February 2022 | Trustee discretion training, covering what discretions are, examples, how to exercise discretions and Ombudsman cases.<br><br>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<br>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<br>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<br>9 June 2022 | Investment and actuarial valuation training, covering discount rate structure, key investment model inputs and best estimate returns. | Joint Investment Committee<br>SB Main Board |

| | | |
|---|---|---|
| 25 August 2022 | Prevention of fraud training, covering types of pension fraud, case studies and POCA 2002/money laundering regulations. | Joint Audit, Risk & Operations Committee (JAROC) |
| 6 September 2022<br>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<br>SB Main Board |
| 8 September 2022 | Legal training, covering the position of SLP on a future takeover, the balance of powers in the Trust Deed and Rules, Trustee whistleblowing and legal/regulatory updates. | SB Main Board |
| 19 October 2022 | Joint Investment Committee strategy day training, covering an overview of recent market developments and how Plans have responded, a request to approve granting the Joint Investment Committee additional flexibility on hedge ratios and an overview of the strategy day discussions.<br><br>Communication strategy training, covering engagement, behavioural psychology and tone of voice.<br><br>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.<br><br>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.<br><br>Highly effective Boards training, covering the characteristics of high performing Boards, an overview of tPR's standards and a model for effective teams. | Trustee Training Day |
| 16 November 2022 | Multi-asset credit training, covering what it is and how the different elements might operate. | Joint Investment Committee |

| | | |
|---|---|---|
| 6 December 2022<br>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<br>SB Main Board |
| 8 December 2022 | Buy-in training, covering what it is, regulatory background, impact on members, market overview and preparatory activity. | SB Main Board |

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

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

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

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

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

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

This assessment identified knowledge gaps which could be addressed by 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 to ensure agenda items were adequately explained in a summary, with clear objectives for each item and what decision was required, and various other aspects of how the meetings operate, particularly with regards to hosting remote 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 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: 31/5/2023

**SmithKline Beecham Senior Executive Pension Plan ("the 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') covering the DB AVCs of the Plan, and included accompanying commentary to set out how, and the extent to which, the SIP has been followed during the year to 31 December 2022.

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

**The Trustee can confirm that all policies in the SIP have been followed in the 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 Audit, Risk and Operations Committee of the GSK Schemes ("JAROC")**
  This group oversees the ongoing operation of and risks associated with insurance solutions in use.
- **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

### Defined Benefits

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

### Defined Benefit AVCs

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

**Defined Benefits commentary**

**Statement of Investment Principles for Defined Benefits –September 2022**

This Statement of Investment Principles ("**SIP**") covers the Defined Benefit ("**DB**") assets 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 DB Additional Voluntary Contributions ("**AVCs**"), the document titled the '*Statement of Investment Principles for the Defined Benefit AVCs – September 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 no major changes were made to the investment strategy

**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 Audit, Risk & Operations Committee ("**JAROC**") or to external parties such as investment advisers or asset managers.

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

**Trustee**

- Set structures and processes for carrying out its role.
- Determine targeted allocation strategy between return seeking and liability matching assets.
- Determine (with assistance as required) the investment strategy, hedging strategy and insurance solutions.
- Select the AVC investment options.
- Select and monitor investment advisers.
- Maintain an Investment and Hedging Strategy ("**IHS**") document.

<table>
<tr><td colspan="2">
<ul>
<li>Set structures for implementing the IHS and make day to day decisions relevant to the operation of the IHS.</li>
<li>Annually update the IHS to capture any changes that have occurred in the preceding 12 months.</li>
<li>Require the asset managers to operate within the terms of this statement so far as practical.</li>
<li>Consult the Joint Investment Committee ("JIC") for any investment input desired.</li>
</ul>
</td></tr>
<tr><td colspan="2">JAROC
<ul>
<li>Review ongoing operation of and risks associated with insurance solutions in use.</li>
</ul>
</td></tr>
<tr><td>Investment Advisers
<ul>
<li>Advise on all aspects of the investment of the Plan assets, ESG (including climate change) including 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>
</td><td>Asset Managers
<ul>
<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, ESG (including climate change), and stewardship requirements.</li>
</ul>
</td></tr>
</table>

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) consists primarily of an insurance solution (a "**Buy-in Policy**"), designed to meet the benefits of the majority of members as they fall due.

2.2 - Strategy

The planned asset allocation strategy was determined with regard to the liability profile and funding position of the Plan. 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.

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.

2.4 - Risks Managed by the Trustee

The risks identified by the Trustee 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.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when agreeing investment strategy and consulted with the sponsoring employer as to the suitability of the investment strategy.
- 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.

The Trustee considers these risks to be well managed, by virtue of the Buy-in Policy which requires the insurer to meet the majority of benefit payments as they fall due.

2.5 - 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"). The Trustee 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.

In addition, the JAROC have responsibility for reviewing the ongoing operation of and risks associated with the Buy-in Policy, including but not limited to the Insurer's ongoing credit quality and the timeliness and accuracy of payments.

2.6 - Regular Monitoring of Risks

The Trustee manages risks using both qualitative and quantitative techniques.

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. In addition, the Trustee monitors:

- 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.

2.7 - Implementation

The Trustee invests DB Section assets directly, primarily via a Buy-in Policy.

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**
Over the course of the year, the assets continued to be invested primarily via a Buy-in policy and no changes were made to the approach.

2) **Risks and how they are measured and managed**
The Trustee 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.

A number of risks related to the ongoing operation of the Buy-in policy, such as the Insurer's credit quality and payment risk are delegated to the JAROC to oversee and are monitored on a quarterly basis.

## 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. The IHS is then developed which considers:

- 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 different 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 Trustee will consider the proposed asset allocation strategy for the Plan. It has been agreed that all of the Plan's assets will be liability matching in nature, with the majority being held in the form of a Buy-in Policy.

**Kind of investments held**

The majority of the Plan's assets remain in the form of a Buy-in policy with no changes made in the reporting period.

**Expected return on investments**

Given the Buy-in policy, monitoring centres around the Insurer's credit quality and operational performance. This takes place on a quarterly basis.

**Realisation of Investments**

The Trustee takes advice from the Investment Adviser to ensure the overall portfolio liquidity is sufficient and whenever divestments are required.

The Trustee expect (where used) 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.

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**").

However, as the majority of the Plan's assets are in the form of a Buy-in Policy, the Trustee recognises that it is not possible to specify investment restrictions on these assets.

To the extent asset managers are selected, retained or realised for the residual liability matching assets, 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 keeps up to date on developments in Sustainable Investment through periodic training and discussions.

**Financially material considerations over the appropriate time horizon**

As the Plan's assets are now largely in the form of a Buy-in policy, it is not possible for the Trustee to factor in Sustainable Investment considerations to the management of these assets.

One asset manager is currently retained for the small residual investment in liability matching assets, where the Trustee acknowledge there are fewer opportunities to display strong ESG credentials. Nonetheless, the Investment Adviser provides both general and ESG specific ratings for the asset manager which are reviewed quarterly.

*3.1.1 - 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 each asset manager's approach and voting policies 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 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. 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**

There were no equities held in the portfolio during the reporting period so there were no voting rights to exercise.

**Undertaking Engagement activities (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)**

Given the nature of the Plan's assets there was no voting activity to review during the reporting period.

As the majority of the Plan's assets are in the form of a Buy-in Policy, the Trustee does not take the views of the members and beneficiaries, including (but not limited to) their views in relation to Sustainable Investment into account when setting the Defined Benefit investment strategy.

**The extent to which non-financial matters are taken into account**

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

*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 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

3.1.2 - *Arrangements with Asset Managers: Implementation*

As the majority of the Plan's assets are in the form of a Buy-in Policy, the Trustee recognises that it is not possible to engage on the above matters in respect of that policy.

However, to the extent asset managers are selected, retained or realised for the residual liability matching assets, the Trustee considers their Investment Adviser's assessment on the alignment of the asset manager with the Trustee's policies set out above and by reference to the matters set out at Regulation 2(3)(d) of The Occupational Pension Schemes (Investment) Regulations 2005, including those related to ESG and Stewardship.

**How the arrangements incentivise Asset Managers to:**

- **Align with the Trustee's policies**
- **Make decisions based on the medium to long term performance of asset issuers and engage with them to improve performance**

Given the Buy-in, there were no changes or explicit engagements required in relation to Asset Managers and the approach remains well aligned with the Trustee's policies.

**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 Trustee 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).

**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.

**Duration of Asset Manager arrangements**

The Buy-in is purposely designed as an ongoing contractual relationship to meet the benefits of members as they fall due. No changes were made to the Asset Manager roster during the reporting period.

## 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 Benefit AVCs - September 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 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 Benefit AVCs – September 2022*’.

We confirm that the approach outlined in 3. Investment Policies was used throughout the year to 31 December 2022.

## 4. Supplementary information to the SIP

There is further information contained in the document titled ‘*Supplementary information to the Statement of Investment Principles (“SIP”) for the DB Section of the Plan – September 2022’* on the following:

- Fee structures for Managers and Advisers. In addition, details of the policies governing AVC arrangements are set out in the Statement of Investment Principles for the DB AVCs.

## 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 in 2022 to ensure it remained current with the latest legislation.

## DB AVC Section commentary

## Statement of Investment Principles for the DB AVCs –September 2021

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

1) Governance Arrangements
2) Objectives and Implementation of the DB AVC Holdings of the Plan
3) The Trustee's Investment Policies

The Plan's investment arrangements with respect to the DB AVC holdings 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 DB AVC arrangements and there is a separate document covering the 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.

**Securing compliance with the legal requirements about choosing investments**

During the year of 2022, there were no changes to the investment arrangements and the SIP last updated in 2021 still remains up to date.

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.

### 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**"), the Joint Audit, Risk & Operations Committee ("**JAROC**") the Joint DC Committee ("**JDC**") or to external parties, such as investment advisers or asset managers.

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

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

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

## 2. Objectives and Implementation of the DB AVC Holdings of the Plan

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

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

**Kinds of investments to be held**

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

The investments (fund type, management style and asset allocations) used in the default strategy will be reviewed as part of this exercise. The target of the default investment arrangement will also be reviewed, taking into account the demographics of the 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 Scheme 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 (in which members DB AVCs are invested), 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 investment objectives for the DB AVCs 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 main 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 main investment arrangement offered to members of the Plan.

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 Legal & General ("L&G") platform and publishes a quarterly summary performance report for members. This is to ensure members are provided with suitable information by which to make decisions.

Benefits for members with DB AVC holdings are determined by the value of members' individual accounts at retirement. A member's retirement benefits depend on:

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

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

Clearly 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 DB AVCs including the main and legacy 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 main and legacy 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.<br>Members are able to set their own investment allocations, in line with their risk tolerances. |
| | Currency risk | The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate. | |

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

| Type of Risk | Risk | Description | How is the risk monitored and managed? |
|---|---|---|---|
| | Pension Conversion risk | The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement. | The Trustee makes available lifestyle strategies for members.<br>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.<br>Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives. |
| | Environmental, Social and Corporate Governance ("**ESG**") risk | The risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets. | The management of this risk has been considered and asset managers are expected to integrate this into their processes.<br>The Trustee reviews the asset managers' policies and actions in relation to this from time to time.<br>The Trustee policy on Responsible Investment and Corporate Governance is set out in Section 3.1. |

| Type of Risk | Risk | Description | How is the risk monitored and managed? |
|---|---|---|---|
| Operational risk | | The risk of fraud, ineffective governance structure, poor advice or acts of negligence in the operation of the Plan. | 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.<br><br>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. |

**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 members' time within the AVCs Holdings DB 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 expects 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 DB AVCs, the fund range offered to members is accessed through a platform provided by Legal & General Assurance (Pensions Management) Limited ("L&G"). The Trustee accesses the platform via a long-term insurance contract with L&G. L&G operates within the terms of this Statement and the written contract. The Trustee reviews the liquidity of the funds offered to members to ensure that assets are readily realisable.

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

ESG ratings for current investment managers and considers this information when selecting new investment managers.

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

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**

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 is also covers examples of financial and non-financial considerations around investments where the managers are expected to take into account the impact of these consideration 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 is not satisfied with the progress that managers have made then further action or information would be sought from managers. If no further progress was to be made, the JDC and the Trustee would consider whether retaining the mandate is appropriate.

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

From the information delivered over the year, the JDC 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 Trustee monitors portfolio turnover costs incurred by the Asset Manager, and how it defines and monitors targeted portfolio turnover or turnover range**

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

The Trustee considers the level of transaction costs as part of its annual Value for Members assessment, last carried out as at 31 December 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 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 DB AVCs are open-ended, with no set end date for the arrangements. The main 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 main GSK Lifecycle investment option, the alternative GSK Lifecycle options and the self-select GSK investment fund range.

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

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

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

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

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

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

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

**Realisation of Investments**

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

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

## 3.2. Policy in Relation to the Main Lifecycle Investment Option

### *3.2.1 - The Plan's Main Lifecycle Investment Options*

The GSK Lifecycle Drawdown Option is the main lifecycle investment option for the Plan. 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 investment options where some members' accrued funds and contributions have previously been automatically directed to this investment option from the previous main investment options. These are the GSK Lifecycle (pre-2014) Option and the GSK Lifecycle Pension Option.

As a result of this mapping activity, the GSK Lifecycle Drawdown Options ("current default investment option"), the GSK Lifecycle Pension Option ("legacy investment option") and GSK Lifecycle (pre-2014) Option (legacy investment option) are treated as "technical default options”. Neither the current default investment option or legacy investment options are classed as default arrangements for the purposes of auto-enrolment.

Until June 2014, the main lifecycle investment option was the GSK Lifecycle (pre 2014) Option (legacy investment option). The GSK Lifecycle Pension Option (legacy investment option) was then implemented as the main investment option in June 2014. At that time, members with more than 10 years to their selected retirement date were moved to the GSK Lifecycle Pension Option (legacy investment option) and 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 investment option), unless they have made an alternative investment choice.

The GSK Lifecycle Drawdown Option (current investment option) was implemented as the main 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 (legacy investment option) were moved to the GSK Lifecycle Drawdown Option (current investment 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 (legacy investment option) continue to be invested in the GSK Lifecycle Pension Option (legacy investment option), unless they have made an alternative investment choice.

The GSK Lifecycle Drawdown Option (current investment option) comprises of 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 target 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 | 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 Investment Options*

The GSK Lifecycle Pension Option (legacy investment 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% |
| 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 main investment option*

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

- For the GSK Lifecycle Drawdown Option (main investment option), to provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to take their benefits via income drawdown.

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

- For the GSK Lifecycle Pension Option (legacy investment option) and the GSK Lifecycle (pre-2014) Option (legacy investment option), 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, within the GSK Lifecycle Drawdown Option (main investment option), the GSK Lifecycle Pension Option (legacy investment option) and GSK Lifecycle (pre-2014) Option (legacy investment option) , 75% of the member's assets will be invested in the GSK Inflation Linked Pre-Retirement Fund and 25% in a money market fund.*

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

- The GSK Lifecycle Drawdown Option (main investment option) and GSK Lifecycle Pension Option (legacy investment option) manage investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. The GSK Lifecycle (pre-2014) Option (legacy investment option) 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 this lifecycle investment option, the Trustee has explicitly considered the trade-off between risk and expected returns. In particular, when reviewing the investment strategy of this lifecycle investment option, 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 main lifecycle investment option.

- Assets in the main lifecycle investment option and legacy 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 in order to inform decisions regarding the main lifecycle investment option. Based on this understanding of the membership, the current default investment option target of income drawdown at retirement is considered appropriate. Members invested in the legacy 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 main lifecycle investment options and the access to alternative investment approaches. If members wish to, they can opt to choose an alternative lifestyle 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 main lifecycle investment option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the main lifecycle investment option 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 main lifecycle investment option is appropriate and will continue to review this overtime, at least triennially, or after significant changes to the Plan's demographic, if sooner.

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

<u>3.3 - Direct Investments</u>
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' 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 DB AVC 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 DB Section AVCs – September 2021'* on the following:

- 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.

## 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

### DB Section

There were no mandates in operation during the year where shareholder voting was applicable

### DB AVC Section

| Manager | Manager proxy Voting Policy | Key votes undertaken over the year - 1 January 2022 to 31 December 2022 |
|---|---|---|
| Nordea | Nordea is a fund company with unit holders as clients and they vote based on their policy in the best interest of unitholders. In all its activities, Nordea's funds shall act in the best interests of the customer, and act honestly, fairly and professionally.<br><br>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.<br><br>Nordea's proxy voting is supported by the external vendor Institutional Shareholder Services ("ISS") to facilitate the proxy voting, execution and to provide analytic input. | **Diversified Return**<br><br>Number of meetings eligible to vote: 193<br>Number of resolutions eligible to vote: 2,363<br>Proportion of votes with management: 84%<br>Proportion of votes against management: 9%<br>Proportion of votes abstained: 2% |
| HSBC | HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.<br><br>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 | **Islamic Global Equity**<br>Number of meetings eligible to vote: 107<br>Number of resolutions eligible to vote: 1,623<br>Proportion of votes with management: 82%<br>Proportion of votes against management: 18%<br>Proportion of votes abstained: 1% |

| Manager | Manager proxy Voting Policy | Key votes undertaken over the year - 1 January 2022 to 31 December 2022 |
|---|---|---|
| | recommendations according to the scale of overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.<br>They regard the votes against management recommendation as the most significant. With regards to climate, in their engagement they encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. They also generally support shareholder resolutions calling for increased disclosure on climate-related issues. | |
| LGIM | LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.<br><br>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.<br><br>LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action. | **LGIM GSK Lifecycle Fund**<br>Number of meetings eligible to vote: 11,599<br>Number of resolutions eligible to vote: 117,723<br>Proportion of votes with management: 78%<br>Proportion of votes against management: 21%<br>Proportion of votes abstained: 1%<br><br>**LGIM GSK Retirement Income Multi-Asset Fund**<br>Number of meetings eligible to vote: 10,046<br>Number of resolutions eligible to vote: 102,592<br>Proportion of votes with management: 78%<br>Proportion of votes against management: 21%<br>Proportion of votes abstained: 1%<br><br>**LGIM GSK Overseas Equity Fund**<br>Number of meetings eligible to vote: 10,612<br>Number of resolutions eligible to vote: 106,515<br>Proportion of votes with management: 77%<br>Proportion of votes against management: 22% |

| Manager | Manager proxy Voting Policy | Key votes undertaken over the year - 1 January 2022 to 31 December 2022 |
|---|---|---|
| | | Proportion of votes abstained: 1%<br><br>**LGIM GSK Diversified Growth Fund**<br>Number of meetings eligible to vote: 9,565<br>Number of resolutions eligible to vote: 98,769<br>Proportion of votes with management: 77%<br>Proportion of votes against management: 22%<br>Proportion of votes abstained: 1%<br><br>**LGIM Global Equity Fund**<br>Number of meetings eligible to vote: 11,226<br>Number of resolutions eligible to vote: 114,687<br>Proportion of votes with management: 78%<br>Proportion of votes against management: 21%<br>Proportion of votes abstained: 1%<br><br>**LGIM GSK UK Equity Index Fund**<br>Number of meetings eligible to vote: 759<br>Number of resolutions eligible to vote: 10,854<br>Proportion of votes with management: 95%<br>Proportion of votes against management: 5%<br>Proportion of votes abstained: 0%<br><br>**LGIM GSK Global Sustainable Equity Fund**<br>Number of meetings eligible to vote: 4,942<br>Number of resolutions eligible to vote: 53,097<br>Proportion of votes with management: 80%<br>Proportion of votes against management: 19%<br>Proportion of votes abstained: 1% |

| Manager | Manager proxy Voting Policy | Key votes undertaken over the year - 1 January 2022 to 31 December 2022 |
|---|---|---|
| Fulcrum | Fulcrum’s default choice is to vote as per the Climate Change Policy by their proxy adviser, Glass Lewis. Fulcrum will, in these instances, do their own research and if they consider it right to do so, vote against their advice if this is in advantage of the topic of climate change mitigation. In particular, Fulcrum looks for votes related to encouraging science-based target setting with regard to decarbonisation goals as this is a core part of their engagement focus.<br><br>Glass Lewis’ advice feeds automatically into the Broadridge platform where they execute the votes. | **Diversified Absolute Return**<br><br>Number of meetings eligible to vote: 630<br>Number of resolutions eligible to vote: 13,378<br>Proportion of votes with management: 89%<br>Proportion of votes against management: 9%<br>Proportion of votes abstained: |
| MAN | Man Group appointed Glass Lewis as its proxy service provider. MAN Group uses Glass Lewis’s voting platform ‘Viewpoint’ to vote their shares electronically, receive research reports and custom voting recommendations. They have monitoring controls in place to ensure that the recommendations provided are in accordance with our ESG Voting Policy and that their votes are timely and effectively instructed. Specifically, their voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, they also have in place electronic alerts to inform them of votes against their policy, votes that need manual input and rejected votes that require further action.<br><br>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. | **Alternative Style Risk Premia**<br><br>Number of meetings eligible to vote: 849<br>Number of resolutions eligible to vote: 10,097<br>Proportion of votes with management: 86%<br>Proportion of votes against management: 13%<br>Proportion of votes abstained: >1% |

## 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

## DB Section

There were no mandates in operation during the year where shareholder voting was applicable

## DB AVC 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.<br>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.<br>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. |

| 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 Global Equity Fund | LGIM | NVIDIA Corporation | 0.09% | 2/6/22 | Elect Director Harvey C. Jones | Against Management – AGAINST.<br>LGIM publicly communicates its vote instructions on its website. | Passed | Governance | Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.<br>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.<br>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 Board Composition as a key priority to the Plan, as appropriate Boards are expected to run more efficient companies. |
| GSK Overseas Equity Fund | LGIM | Alphabet, Inc. | 0.97% | 25/5/22 | Report on Physical Risks of Climate Change | Against Management – FOR.<br>LGIM publicly communicates its vote instructions on its website. | Did not pass | Climate Change | This was a shareholder resolution (i.e. proposed by shareholders, not by management) for which LGIM voted in favour, because it aligns with their views on actions companies should be taking to tackle climate change. LGIM votes in line with their custom vote policy, which reflects their | The Trustee views Climate Change as a significant area for the Plan. |

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | published views and principles (published on their website), and they vote consistently in line with these across all our holdings. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. LGIM voting decision is not based on whether they believe a resolution will "pass". They aren't able to comment on the reasons behind the voting decisions of other shareholders. | |
| GSK UK Equity Index Fund | LGIM | BP PLC | 3.06% | 12/5/22 | Approve Net Zero - From Ambition to Action Report | With Management – FOR | Passed | Climate Change | A vote FOR is applied, though not without reservations. While LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. | The Trustee views net zero targets as significant, and therefore are satisfied with LGIM's approach to this voting. |

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Nevertheless, LGIM remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration. | |
| GSK Retirement Income Multi-Asset Fund | LGIM | Prologis, Inc. | 0.26% | 4/5/22 | Elect Director Hamid R. Moghadam | Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website. | Passed | Governance | Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | The 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. |
| GSK Shariah Fund | HSBC | Apple Inc. | 7.11% | 3/4/22 | Report on forced labour | Against Management – FOR. HSBC | Did not pass | Human Rights | The proposal would lead to increased transparency on Apple's supply chain policies | The Trustee believes that increased transparency is an improvement on current |

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | did communicate their thinking ahead of the AGM | | | and processes, which could help alleviate growing risks related to manufacturing in certain regions. HSBC will continue to engage on the issue along with other issus of concern, and would likely vote against management again should we see insufficient improvements. | practices, and therefore encouraged that HSBC are voting in line with this preference. |
| GSK Diversified Growth Fund | LGIM | Royal Dutch Shell Plc | 0.08% | 24/5/22 | Approve the Shell Energy Transition Progress Update | With Management – AGAINST | Passed | Climate Change | A vote against the resolution was applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However 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 is supportive of disclosures across all industries. |

| Fund | Manager | Company | Approx. Size of Holding at date of vote | Date of Vote | Resolution | How you voted | Outcome | Priority Area for GSK | Rationale for the voting decision | Trustee Comment |
|---|---|---|---|---|---|---|---|---|---|---|
| GSK Global Sustainable Equity | LGIM | JPMorgan Chase & Co | 0.82% | 17/5/22 | Elect Director Todd A. Combs | Against Management – AGAINST. LGIM publicly communicates its vote instructions on its website. | Passed | Governanc e | Joint Chair/CEO: A vote AGAINST the relevant director is applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. Remuneration: Escalation: A vote AGAINST the re-election of Stephen Burke (Committee Chair), Linda Bammann, Todd Combs and Virginia Rometty is applied in light of the one-off time-based award and our persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed accountable for the Company's pay practices. | As above, the Trustee notes that Board Composition is key to the good stewardship of a Company and therefore engaging with the Company is key. |

Given the size of the holdings, most of the significant votes that have been identified above have been managed by LGIM over the year. Therefore, we have also shown significant votes from other managers below:

| Manager | Fund | Company | Approx. Size of Holding at date of vote | Date of Vote | Resolution | How you voted | Outcome | Priority Area for GSK | Rationale for the voting decision | Trustee Comment |
|---|---|---|---|---|---|---|---|---|---|---|
| Nordea | Diversified Return | Monster Beverage | 1.27% | 14/6/22 | Report on GHG emission reduction targets aligned with the Paris Agreement goal. | Against Management – FOR<br>Nordea did not inform management of their voting intention prior to the vote. | Did not pass | Environmental Impact | Nordea voted for the shareholder proposal as they think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks. | The Trustee views Climate Change as a significant area for the Scheme, and is supportive of disclosures across all industries. |
| Fulcrum | Diversified Absolute Return | Home Depot, Inc. | <1% | 16/5/22 | Shareholder Proposal Regarding Deforestation Report | Against Management – FOR<br>Fulcrum did not inform management of their voting intention prior to the vote. | Passed | Environmental Impact | Glass Lewis, Fulcrum’s Voting proxy advisor, were not convinced that the proponent has sufficiently demonstrated that the Company has neglected this issue or that adoption of this proposal would mitigate risks to or increase shareholder value, particularly given the Company's current initiatives and commitments. As such, they do not believe that adoption of this proposal is necessary at this time and recommended that we vote against the proposal. However, Fulcrum agree with the proponent's view and after internal discussions, voted FOR the proposal. | The Trustee notes that deforestation is a key area of Environmental Impact and therefore significant to the 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<br>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. |

## Appendix C – Benchmark and Target Allocations

### DB Section

Given the Buy-in, there are no longer benchmark and target allocations in operation for the DB Section of the Plan.

### DB AVC Section

| Fund | Underlying Fund | | Benchmark | Fund Type |
|---|---|---|---|---|
| Lifecycle Fund | 65.0% | GSK Global Equity Index | 3.0% FTSE All Share Index / 3.0% Solactive L&G ESG UK Index / 17.5% FTSE AW - World (Ex-UK) / 17.5% Solactive L&G ESG Developed (Ex-UK) Index / 22.0% FTSE AW - World (Ex-UK) – GBP Hedged / 22.0% Solactive L&G ESG Developed (Ex-UK) Index GBP Hedged / 5.0% FTSE AW – All Emerging Markets / 5.0% Solactive L&G ESG Emerging Markets Index / 5.0% FTSE Global Developed Small Cap Index | Active & Passive |
| | 35.0% | GSK Diversified Growth | Benchmark – Sterling Overnight Index Average (SONIA)<br>Target – SONIA +3.5% (net of fees) | |
| UK Equity Index | 100.0% | LGIM - UK Equity Index | FTSE All-Share Index | Passive |
| Global Equity Index | 3.0% | LGIM - UK Equity Index | FTSE All-Share Index | Passive |
| | 3.0% | LGIM – Future World UK Equity Index | Solactive L&G ESG UK Index | |
| | 94.0% | GSK Overseas Equity Index | See below | |
| Overseas Equity Index | 23.4% | LGIM - World (ex-UK) Developed Equity Index | 18.6% FTSE AW - World (Ex-UK) / 18.6% Solactive L&G ESG Developed (Ex-UK) Index / 23.4% FTSE AW - World (Ex-UK) – GBP Hedged / 23.4% Solactive L&G ESG Developed (Ex-UK) Index GBP Hedged / 5.3% FTSE AW – All Emerging Markets / 5.3% Solactive L&G ESG Emerging Markets Index / 5.3% FTSE Global Developed Small Cap Index | Passive |
| | 23.4% | LGIM Future World Developed (ex UK) Equity Index Fund – GBP Hedged | | |
| | 18.6% | LGIM - World (ex-UK) Developed Equity Index (Currency Hedged) | | |
| | 18.6% | LGIM Future World Developed (ex UK) Equity Index Fund | | |
| | 5.3% | LGIM - World Emerging Markets Equity Index | | |
| | 5.3% | LGIM Future World Emerging Markets Equity Index Fund | | |
| | 5.3% | LGIM – Global Developed Small Cap Index Fund | | |

| | | | | |
|---|---|---|---|---|
| Diversified Growth | 28.6% | LGIM - Diversified Return | Benchmark – SONIA<br>Target – SONIA +3.5% (net of fees) | Active |
| | 28.6% | Nordea - Diversified Return | | Active |
| | 21.4% | Fulcrum – Diversified Absolute Return | | Active |
| | 21.4% | Man Group – Alternative Style Risk Premia | | Active |
| Pre-Retirement Inflation Linked | 100.0% | LGIM - Pre-Retirement Inflation-Linked | Currently there is no formal benchmark for this Fund | 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 | | |