

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

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 be 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.

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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

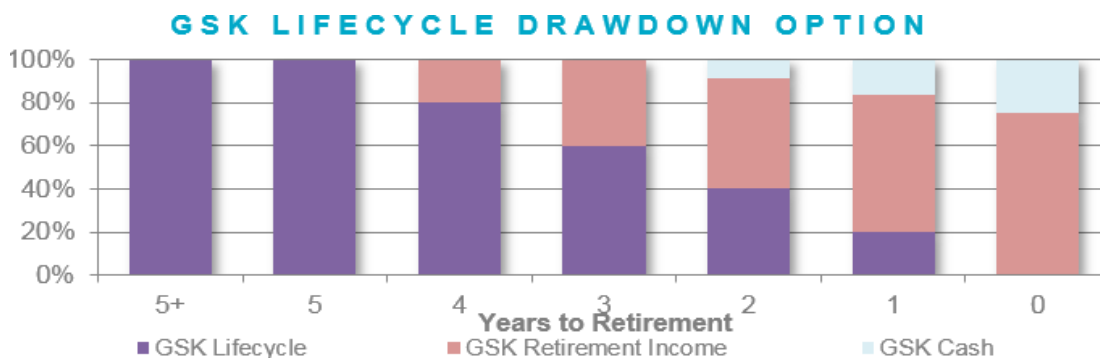
A default DC investment arrangement is an arrangement designed for members who do not choose an investment option for their DC contributions. Members can also choose to invest in a default arrangement which is selected by the Trustee.

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.

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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.

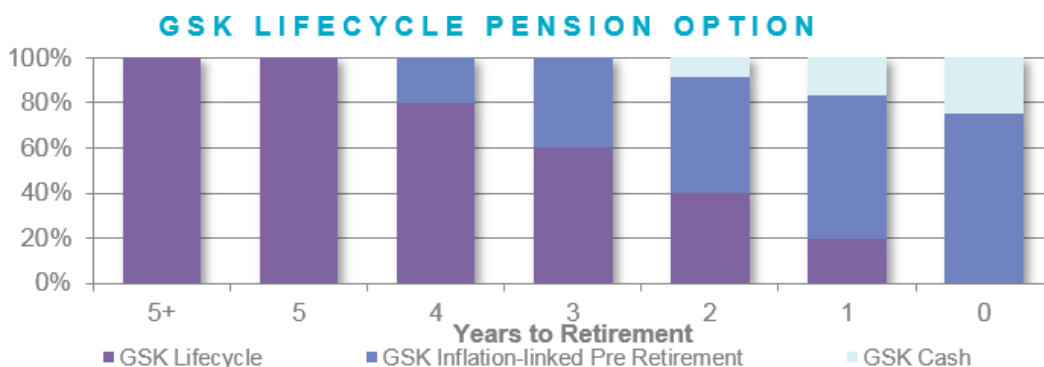
A proposal of total glidepath structure was mentioned during the year for the GSK Lifecycle Drawdown Option, GSK Lifecycle Pension Option and GSK Lifecycle Cash Option in which a Growth Fund would be introduced.

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

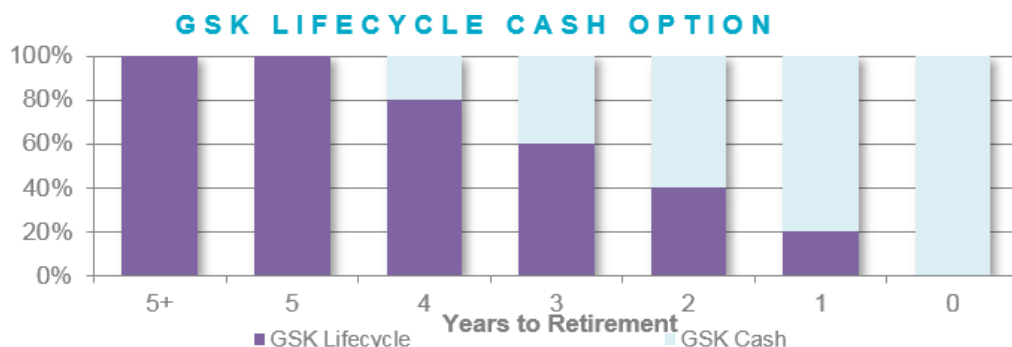
Other Lifecycle Funds available

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.



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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, and a robust checking and authorising process for ensuring accuracy when processing transactions.

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

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

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.

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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.

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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.

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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

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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.

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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

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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

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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.

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

Date	Training subject	Undertaken by
15 February 2022	Fulcrum training, covering Fulcrum's strategy, the investment process, current portfolio, risk management, responsible investing and macroeconomic outlook.	Joint DC Committee (JDCC)
17 February 2022	Trustee discretion training, covering what discretions are, examples, how to exercise discretions and Ombudsman cases. Pension scams training, covering historic transfers-out framework, Trustee's position and restrictions in their powers, pensions liberation and scams, the Pension Schemes Act 2021, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.	Joint Audit, Risk & Operations Committee (JAROC)
8 March 2022 10 March 2022	Cyber security training, covering how it impacts schemes, common pitfalls when dealing with cyber risk and an overview of Trustee duties.	BSQ Main Board SB Main Board
17 May 2022	Good member outcomes training, covering what it means, the PLSA Retirement Living Standards, contribution levels and investment strategy.	Joint DC Committee (JDCC)
19 May 2022	GMP reconciliation and rectification refresher training, understanding they key decisions that need to be made.	Joint Audit, Risk & Operations Committee (JAROC)
7 June 2022 9 June 2022	Investment and actuarial valuation training, covering discount rate structure, key investment model inputs and best estimate returns.	Joint Investment Committee SB Main Board

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25 August 2022	Prevention of fraud training, covering types of pension fraud, case studies and POCA 2002/money laundering regulations.	Joint Audit, Risk & Operations Committee (JAROC)
6 September 2022 8 September 2022	Liability hedging training, covering the effect of interest rates and inflation on liabilities, the financial risk to Plans and how the risk can be mitigated.	BSQ Main Board SB Main Board
8 September 2022	Legal training, covering the position of SLP on a future takeover, the balance of powers in the Trust Deed and Rules, Trustee whistleblowing and legal/regulatory updates.	SB Main Board
19 October 2022	<p>Joint Investment Committee strategy day training, covering an overview of recent market developments and how Plans have responded, a request to approve granting the Joint Investment Committee additional flexibility on hedge ratios and an overview of the strategy day discussions.</p> <p>Communication strategy training, covering engagement, behavioural psychology and tone of voice.</p> <p>The Pensions Regulator update training, covering its current areas of focus, upcoming developments, The Pension Schemes Act 2021, how tPR will regulate scheme funding going forward, revisions to covenant guidance and tPR's equality, diversity and inclusion strategy.</p> <p>DC market practice training, covering how to maximise growth for young members, when members should start de-risking, how to engage members and future developments.</p> <p>Highly effective Boards training, covering the characteristics of high performing Boards, an overview of tPR's standards and a model for effective teams.</p>	Trustee Training Day
16 November 2022	Multi-asset credit training, covering what it is and how the different elements might operate.	Joint Investment Committee

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6 December 2022 8 December 2022	Currency hedging training, covering why to hedge currency, how it works and which assets the Plans hedge currency for.	BSQ Main Board SB Main Board
8 December 2022	Buy-in training, covering what it is, regulatory background, impact on members, market overview and preparatory activity.	SB Main Board

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

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

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

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

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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: