



**GLAXO WELLCOME CONTRACTED-OUT  
MONEY PURCHASE SCHEME**

(Registered number 10135469)

**TRUSTEE'S ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**Year ended 31 DECEMBER 2019**

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
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**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
BACKGROUND TO GSK'S UK SCHEMES  
Year ended 31 DECEMBER 2019**

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

<b>Scheme name</b>	<b>Benefit structures</b>
<p><b>GSK Pension Scheme</b> known as the Glaxo Group Pension Scheme until 31 October 1996 and then Glaxo Wellcome Pension Scheme until 31 December 2001.</p>	<p><b>GWPP*</b> – admitted new members until 31 December 2001. It provides both defined benefit and defined contribution benefits:</p> <ul style="list-style-type: none"> <li>a) <b>Defined benefit</b> benefits for employees who were already active members of the scheme on 31 October 1996 and new members aged over 40 between 1 November 1996 and 31 December 2001. Also, for members switching from the defined contribution section at 1 January 2002.</li> <li>b) <b>Defined contribution</b> benefits for employees who became active members between 1 November 1996 and 31 December 2001. Existing members of the defined benefit section at 31 October 1996 could also switch to defined contribution benefits.</li> </ul> <p><b>GSK Pension Plan (GSKPP)</b> – Defined contribution benefits for employees who started employment with GSK on or after 1 January 2002 and employees who were members of other GSK schemes at that date and chose to join GSKPP. In addition, new employees of new participating employers can join the GSKPP.</p>
<p><b>GSK Pension Fund</b> known as the Wellcome Group Pension Fund until 31 October 1996 and then as Glaxo Wellcome Pension Fund until 31 December 2001.</p>	<p><b>GWPP*</b> – admitted new members until 1 November 1996. It provides both defined benefit and defined contribution benefits:</p> <ul style="list-style-type: none"> <li>a) <b>Defined benefit</b> benefits for employees who were already active members of the scheme on 31 October 1996. Also for members switching from the defined contribution section at 1 January 2002.</li> <li>b) <b>Defined contribution</b> for existing members of the defined benefit section at 31 October 1996 who could switch to defined contribution benefits.</li> </ul>
<p><b>SmithKline Beecham Pension Plan</b></p>	<ul style="list-style-type: none"> <li>a) <b>Defined benefit</b> section – closed to new entrants from April 1997.</li> <li>b) <b>Defined contribution</b> 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.</li> </ul>
<p><b>SmithKline Beecham Senior Executive Pension Plan</b></p>	<ul style="list-style-type: none"> <li>a) <b>Defined benefit</b> – this was closed to new entrants with effect from 31 December 2001.</li> <li>b) <b>Defined contribution</b> – for existing members of the defined benefit section who paid AVCs or transferred benefits in on a defined contribution basis.</li> </ul>
<p><b>Glaxo Wellcome Contracted-Out Money Purchase Scheme</b></p>	<ul style="list-style-type: none"> <li>a) <b>Defined contribution</b> – the scheme was established on 1 July 1988 and closed to new investment on 31 December 2001.</li> </ul>

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

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
PROFESSIONAL ADVISERS AND PROVIDERS  
Year ended 31 DECEMBER 2019**

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<b>INVESTMENT ADVISER</b>	Mercer Limited
<b>INVESTMENT MANAGER</b>	Legal and General Assurance (Pensions Management) Limited
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP
<b>BANKERS</b>	HSBC plc
<b>ADMINISTRATORS</b>	Towers Watson Limited (trading as Willis Towers Watson)
<b>LEGAL ADVISERS</b>	Sacker & Partners LLP
<b>ACCOUNTING AND TRUSTEE SUPPORT</b>	GlaxoSmithKline Services Unlimited
<b>SECRETARY</b>	Mr James Chemirmir (appointed 5 September 2019) Mr Dan McDonald (resigned 20 May 2019)

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
TRUSTEE'S REPORT  
Year ended 31 DECEMBER 2019**

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**INTRODUCTION**

The Trustee is pleased to present its Annual Report and Financial Statements for the year ended 31 December 2019 for the Glaxo Wellcome Contracted-Out Money Purchase Scheme ("the Scheme"). The Scheme was established to provide retirement benefits to certain groups of employees within the GSK plc group.

The Scheme is a defined contribution ("DC") scheme which is no longer open to new members and is closed to future contributions.

**TRUSTEE**

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

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

The Trustee also acts as Trustee of the GSK Pension Scheme and GSK Pension Fund.

The Trustee Directors are comprised of:

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

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

The Trustee Directors who acted both during the year and at the date of this report were as follows:

**Chairman and Independent Director**

The Law Debenture Pension Trust Corporation p.l.c. - represented by Mr Mark Ashworth

**Independent Director**

Ms Lisa Arnold (resigned 31 March 2020)  
Ms Eileen Haughey (appointed 1 April 2020)

**Member Directors**

Ms Sandra Humphrey  
Mr Steve Jordan (resigned 20 March 2019)  
Mr John Watson  
Mr David Wintle (appointed 20 March 2019)

**Company Directors**

Mr Jerome Andries  
Ms Moira Beckwith  
Mr Steve Cowden

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 (2018: four) full board meetings during 2019 and thirteen (2018: thirteen) meetings of the various committees (see page 4).

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

**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.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
TRUSTEE'S REPORT  
Year ended 31 DECEMBER 2019**

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**SCHEME MEMBERSHIP**

As at 31 December 2019, membership of the Scheme was as follows:

<b>TOTAL MEMBERS</b>	<b>Total</b>
<b>As at 1 January 2019</b>	<b>7,975</b>

<b>DEFERRED PENSIONERS</b>	<b>Total</b>
<b>As at 1 January 2019</b>	<b>7,975</b>
Adjustments*	(40)
Full commutations	(103)
Deaths	(16)
Transfers out	(338)
Purchase of annuities	(48)
<b>As at 31 December 2019</b>	<b>7,430</b>

<b>TOTAL MEMBERS</b>	<b>Total</b>
<b>As at 31 December 2019</b>	<b>7,430</b>

\*The adjustments of 40 have occurred where the change in member status has been updated after the previous year end statistics have been run (21), or where there has been a data cleansing exercise (19).

As the Scheme is closed to future contributions and is defined contribution in nature, there are no active or pensioner members.

On retirement all members take use their pension pots to take benefits, as the Scheme does not offer income drawdown.

**GOVERNANCE AND RISK MANAGEMENT**

**Committee Structure**

The Committees that are in place are as follows:

<b>Committee</b>	<b>Role</b>	<b>Members (representing this Scheme)</b>
Joint Audit, Risk and Operations Committee	<ul style="list-style-type: none"> <li>To oversee the relationship with the external auditors.</li> <li>To review and approve the Financial Statements on behalf of the Trustee.</li> <li>To monitor the risk management and control activity that is undertaken on behalf of the Trustee.</li> <li>To make recommendations to the Trustee Board where the exercise of discretion is required on a benefit payment.</li> <li>To act on behalf of all of the GSK UK Schemes.</li> </ul>	Mr Steve Cowden (Chair) Ms Lisa Arnold (resigned 1 May 2019) Mr John Watson (resigned 1 May 2019) Mr David Wintle (appointed 1 May 2019)
Joint Defined Contribution Committee	<ul style="list-style-type: none"> <li>To monitor the provision of Defined Contribution benefits.</li> <li>To act on behalf of all of the GSK UK Schemes.</li> </ul>	Mr Lisa Arnold (Chair) (appointed 1 May 2019, resigned 31 March 2020) Mr Jerome Andries Ms Eileen Haughey (appointed 1 April 2020) Ms Sandra Humphrey
Corporate Relations Committee	<ul style="list-style-type: none"> <li>To consider any corporate activities which impact the Scheme.</li> </ul>	Two Independent Trustee Directors and two other Trustee Directors

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
TRUSTEE'S REPORT  
Year ended 31 DECEMBER 2019**

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**Risk management**

The Trustee operates a formal risk management programme. 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.

**Employer Related Investments**

Employer related investments are disclosed in note 18 of the Financial Statements.

**SUMMARY OF CONTRIBUTIONS**

There were no contributions payable to the Scheme during the year.

**INVESTMENT REPORT**

The investments were held in a series of policies with Legal & General, which are readily marketable.

The Legal & General investments are held directly by the Trustee and have a mandate to track market indices as appropriate to the markets that they are held in.

The performance of these policies to 31 December 2019 for one, three and five-year periods are shown in the table below.

Subsequent to the year end, as a result of the Covid-19 pandemic, performance has been volatile. Please see subsequent events disclosure on page 19 for further details.

<b>Legal &amp; General Assurance (Pensions Management) Limited</b>	<b>1 year %</b>	<b>3 years (annualised) %</b>	<b>5 years (annualised) %</b>
GSK UK Equity Index Fund	19.3	7.2	7.7
GSK Lifecycle Fund	19.8	7.9	7.9
GSK Overseas Equity Index Fund	24.8	10.7	10.8
GSK Cash Fund	0.8	0.5	0.5
GSK Global Equity Index Fund	22.7	9.5	9.8
GSK Inflation Linked Pre-Retirement Fund	9.3	4.0	6.0
GSK Diversified Growth Fund *	11.6	2.9	Not available
GSK Shariah Fund **	29.1	Not available	Not available
GSK Retirement Income Multi Asset Fund **	12.9	Not available	Not available

\*No comparable performance data available as the fund was introduced less than 5 years ago or the components of the fund have changed during this time.

\*\*The GSK Shariah Fund and the GSK Retirement Income Multi Asset Fund were introduced in 2018. The two-year performance data reflects performance since the inception of the funds. Three and five-year performance data is not available.

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 requires the Trustee to provide an overall investment return for the Scheme, as a whole, over the year to 31 December 2019 and over a longer period of between 3 and 5 years to the Scheme year end. Whilst the Trustee acknowledges this requirement it have chosen not to include the overall Scheme performance within the report. The Scheme is a defined contribution scheme which is designed for members to select their choice of funds available and therefore the Trustee considers it is the individual fund investment returns shown within this report that are relevant to the readers of this Report.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
TRUSTEE'S REPORT  
Year ended 31 DECEMBER 2019**

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**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 section.
- The Trustee's investment policies.

All investments made during the year were in accordance with the SIP, with one exception due to a typographical error, which unintentionally omitted one of the DC fund options, the GSK Retirement Income Multi Asset Fund, from 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 was updated during the year to include the Trustee's view of Sustainable Investment.

The SIP is available on the GSK pensions website ([www.gskpensions.co.uk](http://www.gskpensions.co.uk)) or from the Secretary to the Trustee, whose contact details are shown on page 6.

**CHANGES TO THE SCHEME INCLUDING SCHEME RULES**

There were no changes to the Scheme or Scheme Rules during the year.

**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 governance in the annual report.

This statement is included from page 20.

**COVID-19**

Since the year-end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities (across all categories) have been impacted. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable.

In response to the pandemic, a Covid-19 working group was formed in March 2020, comprising the Chairs of the Trustee Board and the various sub-committees. This group meets once a week and monitors the impact of the Covid-19 pandemic on a range of areas, including for this Scheme, the ongoing performance of the third party providers including business continuity, the investment manager performance and liquidity of funds.

Further details on the impact of Covid-19 on the Financial Statements, subsequent to the year end, are included in note 19 to the Financial Statements.

**ADMINISTRATION OF THE SCHEME**

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

**ENQUIRIES ABOUT THE SCHEME**

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.

Defined contribution members receive an annual benefit statement giving an estimate of projected benefits.

Any enquiry concerning the Scheme should be addressed to UK Benefits, Stockley Park West, 1-3 Ironbridge Road, Uxbridge, Middlesex, UB11 1BT.



**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
TRUSTEE'S REPORT  
Year ended 31 DECEMBER 2019**

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**ENQUIRIES ABOUT THE SCHEME (continued)**

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

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

**TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Trustee's responsibilities in respect of contributions**

The Trustee is responsible under pensions legislation for securing that a payment schedule is prepared, maintained and from time to time revised showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

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

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.

The Trustee's Report is approved and signed by order of the Trustee on 22 June 2020 by:

<b>Name</b>	<b>Signature</b>	<b>Title</b>
<b>STEPHEN COWDEN</b>	<i>Stephen Cowden</i>	<b>TRUSTEE DIRECTOR</b>

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE GLAXO  
WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
Year ended 31 DECEMBER 2019**

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

In our opinion, Glaxo Wellcome Contracted-Out Money Purchase Scheme's Financial Statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2019, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the Financial Statements, included in the Trustee's Annual Report and Financial Statements, which comprise: The Statement of Net Assets available for benefits as at 31 December 2019; the Fund Account for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

**Reporting on other information**

The other information comprises all the information in the Trustee's Annual Report and Financial Statements other than the Financial Statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE GLAXO  
WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
Year ended 31 DECEMBER 2019**

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**Reporting on other information (continued)**

In connection with our audit of the Financial Statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. 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 based on these responsibilities.

**Responsibilities for the Financial Statements and the audit**

*Responsibilities of the Trustee for the Financial Statements*

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the Financial Statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
London  
22 June 2020

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
FUND ACCOUNT  
For the year ended 31 DECEMBER 2019**

	Note	2019 £m	2018 £m
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions	4	-	-
Employee contributions	4	-	-
<b>Total contributions</b>		-	-
Benefits paid or payable	5	<b>(4.9)</b>	(4.3)
Transfers to other Plans	6	<b>(12.8)</b>	(9.6)
		<b>(17.7)</b>	(13.9)
<b>Net withdrawals from dealings with members</b>		<b>(17.7)</b>	(13.9)
<b>Net returns on investments</b>			
Change in market value of investments	7	<b>26.6</b>	(9.0)
		<b>26.6</b>	(9.0)
<b>Net increase/(decrease) in the fund</b>		<b>8.9</b>	(22.9)
<b>Net assets of the Scheme</b>			
<b>Opening net assets of the Scheme</b>		<b>162.7</b>	185.6
<b>Closing net assets of the Scheme</b>		<b>171.6</b>	162.7

The notes on pages 12 to 18 form part of these Financial Statements.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
As at 31 DECEMBER 2019**

	Note	2019 £m	2018 £m
<b>Investment assets</b> Pooled investment vehicles	7 9	<b>171.4</b>	162.7
<b>Total investments</b>		<b>171.4</b>	162.7
<b>Current assets</b>	12	<b>1.2</b>	1.0
<b>Current liabilities</b>	13	<b>(1.0)</b>	(1.0)
<b>Net assets of the Scheme available for benefits</b>		<b>171.6</b>	162.7

The notes on pages 12 to 18 form part of these Financial Statements.

The Financial Statements on pages 11 to 19 were approved by the Trustee on 22 June 2020 and signed on its behalf by:

Name	Signature	Title
<b>STEPHEN COWDEN</b>	<i>Stephen Cowden</i>	<b>TRUSTEE DIRECTOR</b>
<b>MOIRA BECKWITH</b>	<i>Moira Beckwith</i>	<b>TRUSTEE DIRECTOR</b>

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 DECEMBER 2019**

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All amounts in tables are in £ millions unless otherwise stated.

## **1 GENERAL INFORMATION**

The Glaxo Wellcome Contracted-Out Money Purchase Scheme (the "Scheme") is an occupational pension scheme established under trust in the United Kingdom, under English Law.

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

The Scheme is a defined contribution ("DC") scheme which is no longer open to new members and is closed to future contributions.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that any contributions by employers and employees would normally be eligible for tax relief, and income and capital gains earned by the Scheme receives preferential tax treatment. There were no contributions into the Scheme in either the year ended 31 December 2019 or 31 December 2018.

## **2 BASIS OF PREPARATION**

The individual Financial Statements of Glaxo Wellcome Contracted-Out Money Purchase Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these Financial Statements. The adoption of the revised SORP has had no material impact on the Financial Statements. However, it has required certain additions to or amendments of disclosures in the Financial Statements.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **a) Currency**

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

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

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

### **b) 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.

### **c) Benefits**

Retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme, as appropriate.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 DECEMBER 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Benefits (continued)**

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

**d) Investments**

The pooled investment vehicles are held at fair value, and the change in market value is the realised and unrealised gains and losses on the investments.

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

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

Annuity policies are purchased on retirement by members. These are not included as assets of the Scheme as they are in the name of the member, and are therefore expensed in the fund account in the year in which they are purchased.

**4. CONTRIBUTIONS**

As the Scheme closed to new contributions from 1 January 2002, there were no contributions into the Scheme in either the year ended 31 December 2019 or 31 December 2018.

**5. BENEFITS PAID OR PAYABLE**

	<b>2019 £m</b>	2018 £m
Purchase of annuities	<b>1.6</b>	1.3
Lump sums on retirement	<b>2.8</b>	2.2
Death benefits	<b>0.3</b>	0.8
Taxation where Lifetime or Annual Allowance has been exceeded	<b>0.2</b>	-
<b>Total</b>	<b>4.9</b>	4.3

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

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. TRANSFERS TO OTHER PLANS**

	<b>2019</b> <b>£m</b>	2018 <b>£m</b>
Individual transfers out	<b>12.8</b>	9.6
<b>Total</b>	<b>12.8</b>	9.6

**7. RECONCILIATION OF INVESTMENTS**

	Value as at 1 January 2019 <b>£m</b>	Purchases at cost <b>£m</b>	Sale proceeds <b>£m</b>	Change in market value <b>£m</b>	Value as at 31 December 2019 <b>£m</b>
Pooled investment vehicles	<b>162.7</b>	<b>8.0</b>	<b>(25.9)</b>	<b>26.6</b>	<b>171.4</b>
<b>Total</b>	<b>162.7</b>	<b>8.0</b>	<b>(25.9)</b>	<b>26.6</b>	<b>171.4</b>

**8. INVESTMENT TRANSACTION COSTS**

There were no direct transaction costs during the year ended 31 December 2019 or 31 December 2018.

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

**9. POOLED INVESTMENT VEHICLES**

	<b>2019</b> <b>£m</b>	2018 <b>£m</b>
Equities	<b>9.5</b>	11.4
Lifecycle	<b>123.3</b>	113.2
Diversified growth	<b>0.3</b>	0.3
Inflation linked pre-retirement	<b>28.9</b>	29.1
Cash	<b>8.5</b>	8.3
Retirement income multi-asset	<b>0.9</b>	0.4
<b>Total</b>	<b>171.4</b>	162.7

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

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



**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. FAIR VALUE OF INVESTMENTS**

The fair value of investments has been determined using the following hierarchy:

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

The analysis for the current year end is as follows:

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Investment assets</b>				
Pooled investment vehicles	-	<b>171.4</b>	-	<b>171.4</b>
<b>Total investments</b>	-	<b>171.4</b>	-	<b>171.4</b>

The analysis for the prior year end is as follows:

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Investment assets</b>				
Pooled investment vehicles	-	162.7	-	162.7
<b>Total investments</b>	-	162.7	-	162.7

**11. 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 asset 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 asset 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 asset 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.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 DECEMBER 2019**

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**11. INVESTMENT RISKS (continued)**

The Scheme has exposure to these risks because of the investments it makes to implement its investment objective. The investment objective is to offer an appropriate range of investment options to members designed to generate income and capital growth which 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 Scheme.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's investment objective. The investment objective and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below and applies to both the current and previous year end unless otherwise stated.

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

The Trustee has an insurance policy 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 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 Scheme as a whole.

**Credit risk**

The Scheme's 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 credit worthiness 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.

Direct credit risk arising from directly held bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

**Other price risk**

The Scheme's investments are subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by LGIM. Member level risk exposures will be dependent on the funds invested in by members. All of the DC fund are readily marketable, both at the year end, and subsequent to the year end. Please see the subsequent events note on page 18 of the financial statements for further details.

Please see page 18 regarding events subsequent to the year end that have impacted on the liquidity of investments held, as a result of Covid-19.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 DECEMBER 2019**

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**12. CURRENT ASSETS**

	<b>2019 £m</b>	2018 £m
Cash	<b>1.2</b>	1.0
<b>Total</b>	<b>1.2</b>	1.0

**13. CURRENT LIABILITIES**

	<b>2019 £m</b>	2018 £m
Benefits payable	<b>1.0</b>	0.9
Due to HMRC	-	0.1
<b>Total</b>	<b>1.0</b>	1.0

**14. RELATED PARTY TRANSACTIONS**

The following related party transactions are disclosable: -

**Key management personnel of the Scheme**

During the year four (2018: four) of the Trustee Directors and two (2018: two) of the Trustee Directors' spouses/partners were 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 those Schemes.

In addition, one (2018: one) Trustee Director received an unfunded pension direct from the GSK Group relating to their previous employment with the GSK Group and three (2018: two) Trustee Directors received remuneration and benefits from the GSK Group relating to their ongoing employment with the GSK Group during the year.

During the year, other connected GSK Pension Schemes received pension contributions in respect of three (2018: two) Trustee Directors who were employees of the GSK Group.

During the year, six (2018: six) of the Trustee Directors received fees from other connected GSK Pension Schemes for their services as Trustee Directors of those schemes. Fees paid have been disclosed in the individual GSK pension scheme financial statements, from where these transactions arise, as appropriate.

**15. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

There were no contingent liabilities or contractual commitments at 31 December 2019 or 31 December 2018.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 DECEMBER 2019**

**16. CONCENTRATION OF INVESTMENTS**

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

	2019		2018	
	£m	%	£m	%
Legal & General GSK Global Equity Index Fund	-*	-*	9.4	5.8
Legal & General GSK Lifecycle Fund	<b>123.3</b>	<b>71.9</b>	113.2	69.6
Legal & General GSK Pre Retirement Inflation Linked Fund	<b>28.9</b>	<b>16.8</b>	29.1	17.9
Legal & General GSK Cash Fund	-*	-*	8.3	5.1

\*The GSK Global Equity Index Fund and the GSK Cash Fund did not hold more than 5% of the net asset of the Scheme at the current year end.

The investments in the table above are pooled arrangements which ultimately have multiple underlying assets, none of which exceed 5% of the net assets of the Scheme.

**17. 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 Scheme. The analysis is as below:

	2019 £m	2018 £m
Allocated to members	<b>171.4</b>	162.7
Not allocated to members	-	-
<b>Total</b>	<b>171.4</b>	162.7

**18. 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 the year-end or the previous year end. The Trustee recognises that indirect investment in the GSK Group is possible through holdings in pooled investment vehicles. There is no indirect exposure at 31 December 2019 under the above regulations, however, on a full look through basis a reasonable estimate of the indirect exposure is 0.39% (2018: 0.94%). Therefore, the Scheme's total direct and indirect investment in GlaxoSmithKline plc or subsidiary companies at 31 December 2019 and 31 December 2018 was less than 5% of the Scheme's net assets.

**19. SUBSEQUENT EVENTS**

Since the year-end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities (across all categories) have been impacted. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable.

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

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE  
TRUSTEE OF THE GLAXO WELLCOME CONTRACTED-OUT MONEY  
PURCHASE SCHEME  
Year ended 31 DECEMBER 2019**

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**STATEMENT ABOUT CONTRIBUTIONS**

**Opinion**

In our opinion, the contributions payable for the Scheme year ended 31 December 2019 as reported in Glaxo Wellcome Contracted-Out Money Purchase Scheme's summary of contributions, have been paid in accordance with the Scheme rules.

We have examined Glaxo Wellcome Contracted-Out Money Purchase Scheme's summary of contributions for the Scheme year ended 31 December 2019 which is set out on page 5.

**Basis for opinion**

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Scheme rules, in the absence of a payment schedule and the timing of those payments.

**Responsibilities for the statement about contributions**

*Responsibilities of the Trustee in respect of contributions*

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for securing that a payment schedule is prepared, maintained and from time to time revised and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

The Trustee has not prepared a payment schedule in respect of the Scheme year ended 31 December 2019.

*Auditors' responsibilities in respect of the statement about contributions*

It is our responsibility to provide a statement about contributions and to report our opinion to you.

*Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

22 June 2020

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**CHAIR'S STATEMENT ON DC GOVERNANCE**  
**Year ended 31 DECEMBER 2019**

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## **Introduction**

As Chair of the Trustee of the Glaxo Wellcome Contracted Out Money Purchase Scheme (the "Scheme"), I am pleased to provide you with an annual statement regarding Defined Contribution ("DC") Governance.

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

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

The Scheme has only a DC arrangement which was closed to new members and to future contributions in December 2001.

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

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

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

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

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

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

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

More detailed information about the Scheme is also provided in the Scheme's Statement of Investment Principles (SIP), which is appended to this Statement, and the SIP should be read in conjunction with this Statement. The SIP was last reviewed and updated on 31 March 2020.

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

# GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME CHAIR'S STATEMENT ON DC GOVERNANCE Year ended 31 DECEMBER 2019

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

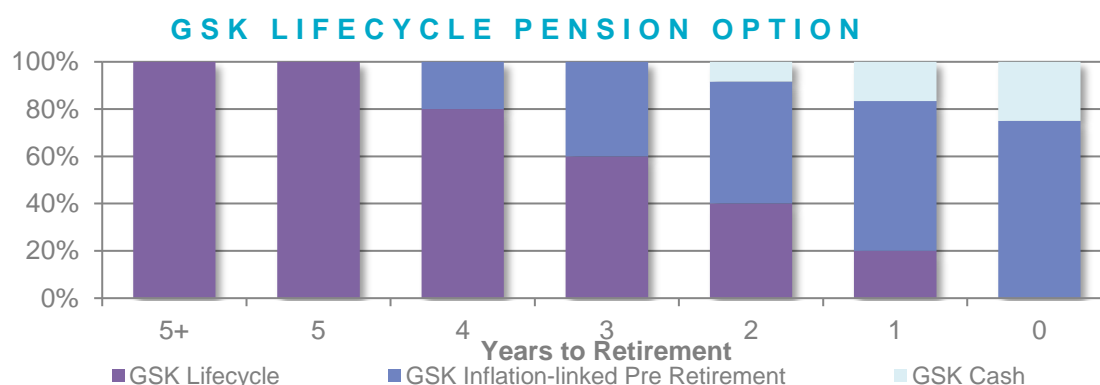
## Details of the Default arrangements

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

The current default arrangement for DC members is the GSK Lifecycle Pension Option, which is intended for members who wish to use their fund to purchase an annuity on retirement.

The GSK Lifecycle Pension 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 Inflation Linked Pre-Retirement 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 table below.



Until June 2014, there were two default options depending on when a member joined the Scheme. These were the Standard GW COMPS Lifecycle and Legacy GW COMPS Lifecycle. When the new GSK Lifecycle Pension Option (then called the GSK Lifecycle Investment Option) was implemented in June 2014 (which reduced the derisking 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 their existing lifecycle, to avoid them rerisking. Full details of the Standard GW COMPS Lifecycle and Legacy GW COMPS Lifecycle can be found in the SIP which is attached to this Statement.

## Review of the Default arrangements

The Trustee is expected to:-

- Review the investment strategy, objectives and performance of the default investment arrangements at 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 Scheme membership when designing the default arrangements.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2019**

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Given the importance of the current default arrangement, the Trustee regularly reviews the arrangement, its component parts, and the performance of the fund (the performance being reviewed quarterly by the DC Committee). On 23 August 2018, the Trustee initiated a formal review of the appropriateness of the default arrangement, including the target destination, the fund strategy and fund performance. The Standard GW COMPS Lifecycle and Legacy GW COMPS Lifecycle also form a part of the ongoing review, noting that the component parts of these funds are the same as those of the current default arrangement. No new members are able to join those funds, and those that remain are close to retirement.

The review of the default arrangement was ongoing during the Scheme year and involved undertaking a fresh analysis of industry trends, including how retiring members are taking their benefits post pensions freedoms, member demographics, pot sizes and the extent to which any annuity arrangements affect how members take their benefits at retirement. The Trustee has also reviewed the performance of the fund over time and considered the extent to which this is still consistent with the aims and objectives of the default arrangement. Furthermore, the Trustee has undertaken a review of the component parts of the Lifecycle strategies including the equity and diversified growth funds components of the Growth Phase and the overall structure of the Lifecycle de-risking process. As part of this review, the Trustee reviewed the funds used as part of the Lifecycle options. The review concluded that it would be appropriate to update 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 changes to the GSK Global Equity fund were implemented during Q4 2019, and the changes to the GSK DGF are being implemented during 2020. When considering the changes, the Trustee considered the long term value for members, and the transition and transaction costs that would be incurred. This review also considered the ongoing suitability and performance of the Freestyle fund options available to members.

The Trustee formally concluded this review on 18 February 2020.

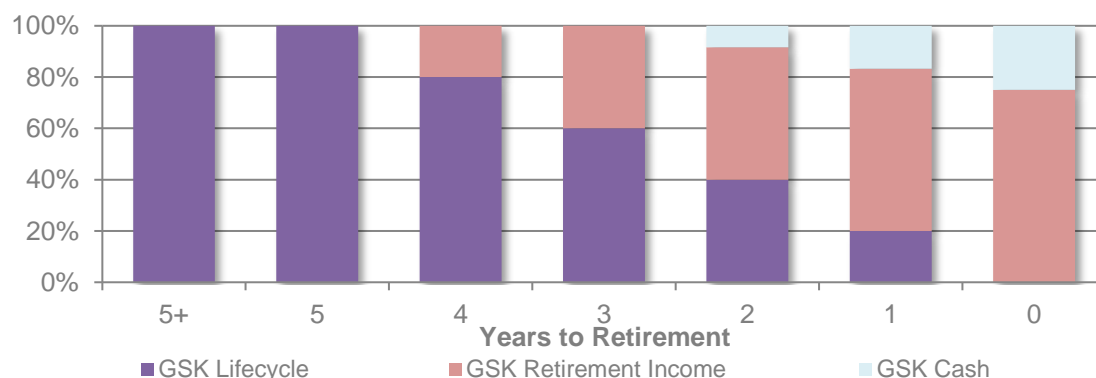
**Other Lifecycle Funds available**

There are two other Lifecycle Fund options available for those members who do not wish to use their fund to purchase an inflation linked pension on retirement.

The GSK Lifecycle Drawdown Option, illustrated in the table below, is available for those members who are looking to target drawing down an income from their pension pot in retirement.

More details on this option are included in the SIP, which is attached to this Statement.

**GSK LIFECYCLE DRAWDOWN OPTION**

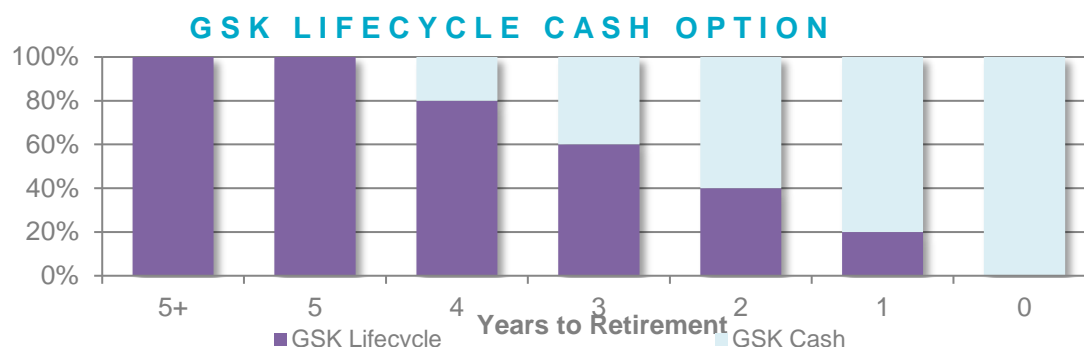




**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2019**

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

More details on this option are included in the SIP, which is attached to this Statement.



With the default arrangements targeting annuity, and the two other Lifecycle fund options mentioned above, the Trustee believes it offers adequate options to allow members to invest in a manner appropriate to how they intend to take their benefits at retirement.

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

### Processing financial transactions

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

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

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

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

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

The administrator's contractual agreement is a comprehensive document 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 in the SLAs for the administrator:-

- 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 Scheme at the administrator. 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.

**GLAXO WELLCOME CONTRACTEDOUT MONEY PURCHASE SCHEME  
CHAIR'S STATEMENT ON DC GOVERNANCE  
Year ended 31 DECEMBER 2019**

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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 SLA were discussed, along with individual member cases, any complaints, and updates on any ongoing projects. This was reported to the Audit and Operations Committee at their quarterly meetings.

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

<b>Administrator</b>		<b>Q1 2019</b>	<b>Q2 2019</b>	<b>Q3 2019</b>	<b>Q4 2019</b>
Willis Towers Watson (GWPP Section)	Actual	97%	99%	99%	99%
	Target	95%	95%	95%	95%

The administration of the Scheme was within SLA requirement for the whole year. If SLA compliance does fall the GSK management team discuss the underlying causes with Willis Towers Watson and ensure plans are put in place to bring performance back in line with the SLA, and in the meantime ensuring there is a clear focus on prioritising casework appropriately.

A contractual agreement is in place with the administrator and they are held to the SLA, and there is an escalation process in place for any issues with the service received.

During the year, the administrator provided quarterly reports, which included performance against SLA requirements in all the key areas, and these reports were formally presented to, and discussed with, the Audit and Operations Committee at each of their quarterly meetings. The administrators also attended an Audit and Operations Committee meeting during the year to present on, and discuss, their performance with the GSK management team and the Audit and Operations Committee.

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

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

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

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

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

- The issue was logged by the administrator and reported through to the GSK management team;
- The issue was discussed at the GSK management team's regular service review meetings with the administrators, and any actions needed to resolve issues were discussed;
- The issue was reported to the GSK management team's Internal Risk Group;
- The issue was reported to the Audit and Operations Committee, 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.

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
**CHAIR'S STATEMENT ON DC GOVERNANCE**  
**Year ended 31 DECEMBER 2019**

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 Audit and Operations Committee. 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 Audit and Operations Committee they were also reported to the Trustee Board through the Committee updates that are provided at each meeting. All Trustee Directors receive the minutes of the Audit and Operations Committee (and the DC Committee) 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.

### **Charges and transaction costs**

The Trustee is required to report on charges and transaction costs for the investment options available in the Scheme, including the default arrangements, the Lifecycle options, the underlying funds to those options, and the 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 Scheme. Charges and transaction costs are, as at, and for the year to, 31 December 2019.

<b>Fund</b>	<b>Total member charge (% p.a.)</b>	<b>Transaction Costs (%)</b>
<b>GSK Lifecycle Pension Option (Current Default)</b>		
5+ years to retirement	0.1643	0.1137
4 years to retirement	0.1414	0.0964
3 years to retirement	0.1186	0.0791
2 years to retirement	0.0983	0.0571
1 year to retirement	0.0781	0.0352
0 years to retirement	0.0581	0.0126
<b>Standard GW COMPS Lifecycle (Legacy Default)</b>		
10+ years to retirement	0.0790	0.0507
9 years to retirement	0.0769	0.0469
8 years to retirement	0.0748	0.0430
7 years to retirement	0.0727	0.0392
6 years to retirement	0.0707	0.0354
5 years to retirement	0.0686	0.0316
4 years to retirement	0.0665	0.0278
3 years to retirement	0.0644	0.0240
2 years to retirement	0.0623	0.0202
1 year to retirement	0.0602	0.0164
0 years to retirement	0.0581	0.0126

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<b>Fund</b>	<b>Total member charge (% p.a.)</b>	<b>Transaction Costs (%)</b>
<b>Legacy GW COMPS Lifecycle (Legacy Default)</b>		
10+ years to retirement	0.0790	0.0507
9 years to retirement	0.0732	0.0460
8 years to retirement	0.0674	0.0413
7 years to retirement	0.0616	0.0366
6 years to retirement	0.0558	0.0319
5 years to retirement	0.0500	0.0272
4 years to retirement	0.0500	0.0272
3 years to retirement	0.0500	0.0272
2 years to retirement	0.0500	0.0272
1 year to retirement	0.0500	0.0272
0 years to retirement	0.0500	0.0272
<b>GSK Lifecycle Drawdown Option</b>		
5+ years to retirement	0.1643	0.1137
4 years to retirement	0.1874	0.0877
3 years to retirement	0.2106	0.0618
2 years to retirement	0.2171	0.0347
1 year to retirement	0.2253	0.0075
0 years to retirement	0.2306	-0.0198
<b>GSK Lifecycle Cash Option</b>		
5+ years to retirement	0.1643	0.1137
4 years to retirement	0.1479	0.0847
3 years to retirement	0.1316	0.0558
2 years to retirement	0.1152	0.0268
1 year to retirement	0.0989	-0.0021
0 years to retirement	0.0825	-0.0311
<b>GSK UK Equity Index Fund</b>	0.0225	-0.0259
<b>GSK Inflation Linked Pre-Retirement Fund</b>	0.0500	0.0272
<b>GSK Cash Fund</b>	0.0825	-0.0311
<b>GSK Lifecycle Fund</b>	0.1640	0.1137
<b>GSK Diversified Growth Fund</b>	0.4200	0.2831
<b>GSK Overseas Equity Index Fund</b>	0.0825	0.0179
<b>GSK Global Equity Index Fund</b>	0.0790	0.0507
<b>GSK Shariah Fund</b>	0.3200	0.0304
<b>GSK Retirement Income Fund</b>	0.2800	-0.0161
<b>Zurich With-Profits Unit-linked Series 1</b>	0.5000	0.0200
<b>Zurich With-Profits Unit-linked Series 4</b>	0.8100	0.0300
<b>Equitable Life With-Profits</b>	1.0000	1.0400

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

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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 Trustees, with advice from the advisers, believe that the transaction costs incurred appear to be reasonable and in line with expectations, however have not been able to verify this quantitatively. The Trustee will conduct an assessment of the transaction costs as soon as reasonably possible.

Transaction cost information from Equitable Life and Zurich is as at 30 September 2019 as this is the latest available. The Trustee, with its advisers, is actively chasing the providers 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 return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

### Illustration

To illustrate the impact of charges over a member's lifetime in the Scheme, in line with the guidance, the Trustee has provided an illustration for a typical member in the Scheme, shown to reflect the approximate duration that the youngest Scheme member enrolled has until their Normal Pension Age set out in the Scheme rules. The information is based on member demographics as set out below. There are no new entrants or contributions to the Scheme as it closed to new entrants and contributions in 2001.

The Trustee has based the illustration on the youngest member, who is 40, using a pension pot size of £22,500, which is the median pension pot size for all members. As the Scheme is closed to future contributions no further contributions have been factored into the illustration.

The impact of a range of funds is shown in line with the statutory guidance.

Projected Pension Pot sizes in Today's Money								
Year End	Most Popular/ Default Arrangement (GSK Lifecycle Pension option)		Highest Charge (GSK Diversified Growth Fund)		Lowest Charge and Highest Investment Return Expectation (GSK UK Equity Fund)		Lowest Investment Return Expectation (GSK Cash Fund)	
	Pension Pot Size with no Charges Incurred £	Pension Pot Size with Charges Incurred £	Pension Pot Size with no Charges Incurred £	Pension Pot Size with Charges Incurred £	Pension Pot Size with no Charges Incurred £	Pension Pot Size with Charges Incurred £	Pension Pot Size with no Charges Incurred £	Pension Pot Size with Charges Incurred £
1	23,175	23,111	23,175	23,145	23,175	23,012	23,175	23,170
2	23,870	23,738	23,870	23,808	23,870	23,536	23,870	23,860
3	24,586	24,382	24,586	24,491	24,586	24,071	24,586	24,570
4	25,324	25,044	25,324	25,193	25,324	24,619	25,324	25,301
5	26,084	25,723	26,084	25,915	26,084	25,180	26,084	26,054
10	30,238	29,408	30,238	29,848	30,238	28,178	30,238	30,170
15	35,054	33,621	35,054	34,379	35,054	31,534	35,054	34,936
20	40,638	38,437	38,963	37,994	40,638	35,289	40,638	40,455
25	43,341	40,672	40,344	39,167	47,110	39,492	47,110	46,846

# GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME

## CHAIR'S STATEMENT ON DC GOVERNANCE

### Year ended 31 DECEMBER 2019

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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 pension pot size is assumed to be £22,500
3. No further contributions are assumed.
4. Values are estimates and are not guaranteed. The member's actual experience will be different.
5. The projected growth rate for each fund (following Statutory Money Purchase Illustration (SMPI) return guidance provided by Willis Towers Watson) is as follows:
  - A. GSK Lifecycle Pension Option (Most popular/default arrangement): the underlying funds have a range of -0.25% p.a. to 3.00% p.a. gross expected real return (relative to inflation).
  - B. GSK Diversified Growth Fund (Highest Charge): 3.00% p.a. gross expected real return (relative to inflation).
  - C. GSK UK Equity Fund (Lowest Charge and Highest Investment Return Expectation): 3.00% p.a. gross expected real return relative to inflation.
  - D. GSK Cash Fund (Lowest Investment Return Expectation): -0.25% p.a. gross expected real return (relative to inflation).
6. The Transaction Costs relate to the actual transaction costs incurred in the Scheme year, 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 the default option is currently the same for all existing members, regardless of age, the charges would not increase with the age of the member and therefore the illustration provided would not be skewed by using the data for a younger member.

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

## Value for members assessment

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

The annual Value for Members assessment for the Scheme year ended 31 December 2019 was completed in February 2020.

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

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

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

- Charges for the default investment arrangements (as well as self-select lifecycle strategies) are significantly below the charge cap of 0.75% per annum;
- The fees for all the funds compare favourably to the fees typically borne by pension scheme members of other similar large pension schemes; and

**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME  
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Year ended 31 DECEMBER 2019**

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- 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. It should be noted that some of the funds are new and do not have meaningfully long performance records in the Scheme due to their relatively recent inclusion in the fund range.

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

### **Trustee knowledge and understanding**

The Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 13.

During the year, the Trustee Directors regularly discussed their training needs at their meetings, having regard to the statutory requirements to have knowledge and understanding of pensions and trust law and the principles relating to the funding and investment of occupational pension schemes, and to be conversant with the Scheme's Trust Deed and Rules, Statement of Investment Principles and other relevant documents.

There was a full induction process in place for a new Trustee Directors who was appointed during the year, who was required to undergo a full programme of training, including separate training sessions delivered by the Scheme's investment advisers and the Secretary to the Trustees.

These training sessions included: key trustee duties, governance structure, history of the Scheme and Board and sub-committee structure. For the new Trustee Directors appointed they also attended a one-day training course to provide them with an introduction to trusteeship and pensions.

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

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

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

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<b>Date</b>	<b>Training subject</b>	<b>Undertaken by</b>
28 May 2019	DC investment funds and default destinations, including ESG in the DC landscape.	Joint DC Committee
May 2019	Use of derivatives in investment strategies, including currency hedging, futures and options. ESG factors and how they can impact investment decision making. Employer Covenant, including Trustee response to potential corporate events such as mergers and acquisitions. Legal update on TPR's 21st Century Trusteeship campaign.	Main board
7 August 2019	ESG with a focus on sectors that may be subject to adverse climate changes and transparency on how fund managers allow for ESG.	Joint DC Committee
21 August 2019	Scope of the audit. Standards for professional trustees. Task force on climate-related financial disclosures. IORP II update.	Joint Audit, Risk & Operations Committee
5 September 2019	Investment diversification and how it is achieved. Legal update on Brexit and training on the history of the plans and their provisions.	Main board
29 October 2019	Data breach simulation training, including end to end management of a data breach. DC member options, flexibility and member support - how the introduction of pensions freedom has affected pension schemes and members. DC pensions update including ESG and the Pension Regulators DC Code of Practice. Longevity risk management - how buy-ins and longevity swaps compare and when you might use each of them. How Trustees should exercise their powers - the legal principles behind exercising Trustee powers and discretions effectively.	Main Board Annual Trustee Training day
18 November 2019	Trustee powers to delegate, why Trustees should delegate, lessons from corporate and trust Law and effective delegation.	Joint Audit, Risk & Operations Committee
10 December 2019	Implications on the Schemes of the Government announcement of the intention to move RPI to CPIH by 2030.	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.

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.



**GLAXO WELLCOME CONTRACTED-OUT MONEY PURCHASE SCHEME**  
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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 2019 and arranged for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate.

This assessment identified knowledge gaps which could be addressed by receiving additional technical training during meetings, on both DB and DC matters, continued regular legal updates and understanding what information is made available to members. Training on these topics will be addressed during 2020 at quarterly Trustee meetings and at the 2020 annual Trustee training day.

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

All Trustee Directors, including the new Trustee 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 2019, the Trustee Directors completed an annual self-assessment (via questionnaires) of how effective they think the Trustee Board is collectively fulfilling its duties, and how effective it is at working with its Committees, and feedback from this was used to identify potential improvements in Scheme governance.

The key areas identified from this assessment were that more time should be spent on strategic items, and understanding the work of the sub-committees, along with other aspects of how the meetings operate, including structure and volume of papers. These areas are being addressed during 2020.

The output from the Trustee self-assessments and Board effectiveness surveys from the previous year was used to support a reorganisation of the memberships of the Committees, in order to ensure that the Trustee Directors with the right experience and expertise were serving on the relevant Committees. These changes were made in May 2019.

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

## **Conclusion**

As required by the regulations, the Trustee has made this Statement available in the Trustee Annual Report and Financial Statements which is on the Trustee website at <https://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:

**Mark Ashworth**

**M Ashworth**

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

**Chairman**

**Dated: 22 June 2020**

## **GW Contracted-out Money Purchase Scheme (“the Scheme”) Statement of Investment Principles**

This Statement of Investment Principles (SIP) covers the arrangements of the Scheme. It is set out in three parts:

1. Governance arrangements
2. Objectives and implementation of the defined contribution section
3. The Trustee's investment policies

The Scheme's investment arrangements 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.

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

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

### **1. Governance Section**

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint DC Committee (JDCC) or to external parties such as Investment Advisers or Fund 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. The Trustee has established the following decision making structure.

<p><b>Trustee</b></p> <ul style="list-style-type: none"> <li>• Set structures and processes for carrying out its role.</li> <li>• Determine (with assistance as required) the investment strategy.</li> <li>• Monitor the JDCC and consider proposals made by the JDCC.</li> <li>• Select and monitor fund managers of the DC and AVC assets.</li> <li>• Select the DC and AVC investment options.</li> <li>• Select and monitor investment advisers</li> </ul>	<p><b>Joint DC Committee</b></p> <ul style="list-style-type: none"> <li>• Review all aspects of the Scheme that relate directly to the DC arrangements, including investments, risk monitoring, education and operations.</li> <li>• Aid in the selection and monitoring of the investment advisers and fund managers for the DC pension schemes.</li> <li>• Assist the Trustee with setting the asset allocation of funds.</li> <li>• Require the fund managers to operate within the terms of this statement so far as practical.</li> </ul>
<p><b>Investment Advisers</b></p> <ul style="list-style-type: none"> <li>• Advise on all aspects of the investment of the Scheme assets, 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> <li>• Provide assistance to the Trustee and JDCC in meeting their objectives.</li> </ul>	<p><b>Fund Managers</b></p> <ul style="list-style-type: none"> <li>• Operate within the terms of this statement and their written contracts.</li> <li>• Select the individual investments within their portfolios (e.g. individual stocks, bonds, derivatives, repos, etc. as applicable) with regard to their suitability, including consideration of the impact on portfolio diversification.</li> </ul>

## 2. Objectives, Strategy and Implementation

The JDCC recognises that members of the Scheme 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 JDCC 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 JDCC believes that members should generally make their own investment decisions based on their individual circumstances. The JDCC also recognises that members may not believe themselves qualified to take investment decisions.

### 2.1 Investment Objectives

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

- To provide an appropriate range of pooled investment funds that are intended to meet the varying investment needs and risk tolerances of members so it may satisfy the reasonable risk/return combinations appropriate for most Scheme members.
- To select appropriate investment managers, unitised funds and/or insurance companies to manage each of the investment options.
- To inform members about their investment options, particularly in relation to the potential risks and rewards of each option.
- To provide an investment option to members who do not select their own investment options (and who are permitted under the Scheme's rules to exercise such a default).

- To monitor and take advice on the suitability of the investment options provided.
- To take appropriate advice from the Trustee's investment and legal advisers in order to make informed decisions.
- To act in the interests of the Scheme's membership as a whole.

## 2.2 Investment Strategy

The JDCC is responsible for reviewing all aspects of the Scheme that relate directly to the DC arrangements, including investments, risk monitoring, education and operations. Following such review, the JDCC 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 Scheme's Investment Objectives are implemented using a range of investment options including equity, diversified growth, bond and cash funds. Both active and passive management options are offered to members, depending on the asset class. The default lifecycle strategy targets the purchase of an inflation-linked annuity at retirement and automatically switches members' funds from growth assets, such as global equity and diversified growth assets into bonds and cash in the period prior to retirement. This is broadly designed to maintain the purchasing power of a members pot relative to annuity prices and allow them to take 25% of their pot tax-free. Two alternative lifecycles for members targeting income drawdown and cash lump sums at retirement are also available.

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 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 advice from the Trustee's investment advisers.

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

Benefits in the Scheme are determined by the value of members' individual accounts at retirement. The members' 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 of the predominantly equity options. However, bond funds are expected to help reduce volatility in relation to the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Clearly the bonds themselves will not provide a hedge against changes in the demographic assumptions insurers use to price annuity contracts. Cash funds are expected to provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

### 2.3 Risk Measurement and Management

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

The Trustee has considered risk from a number of perspectives in relation to the Scheme, including the default investment option. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material in formulating the policy regarding both the default investment option 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 the 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 over the long term.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances. During the growth phase of the default option, members are invested in an allocation which is expected to grow their pension savings in excess of inflation
	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 these market risks is delegated to the investment manager.
	Equity, property and other price risk	The risk that market movements leads to a substantial reduction in the value of member savings.	The JDCC considers fund performance, including that of the default investment option, on a quarterly basis.
	Capital	The risk that the monetary value of a member’s account falls	The Trustee’s objective is to provide investment options where the asset value is unlikely to fall except in abnormal market conditions. A Money Market fund is an example of such an option that is offered to members.
Liquidity risk		The risk that the Scheme’s assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds via an insurance policy with Legal & General. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.

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

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

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. Some aspects of these 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 fund 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. Investment Policies**

#### **3.1 General Investment Policy (including ESG and Stewardship)**

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

The majority of the fund range offered to members is accessed through a platform provided by Legal & General Assurance (Pensions Management) Limited (“L&G”). The Trustee accesses the platform via a long-term insurance contract with L&G. L&G operates within the terms of this Statement and the written contract.

The Trustee believes that environmental, social, and corporate 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 Investment Managers’ investment processes may have the ability to have a positive impact on the risk and the sustainable long-term expected returns from the Scheme’s investments.

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 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.

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, if applicable) on relevant matters (including performance, strategy, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy. The Trustee reviews the voting strategy of its investment managers annually.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes of new investment managers and monitoring of existing investment managers. Monitoring is undertaken on a regular basis through consideration of ESG ratings provided by the advisers as well as annual meetings and updates with investment managers.

These policies are applicable to the range of investments made available to members, including the default investment option, legacy default investment options, alternative Lifecycle options and the self-select investment funds.

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

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

The Trustee will review the entire 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 who operate under agreements to provide services which ensures the Trustee and JDCC 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 strategy.
- 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.

### 3.2 Policy in Relation to the Default Options

The GSK Lifecycle Pension Option is the current default investment option for the Scheme as some members' accrued funds and contributions have previously been automatically directed to this investment option from the previous default options, the Standard GW COMPS Lifecycle and the Legacy GW COMPS Lifecycle (the "legacy default investment options") without the relevant members having instructed the Trustee where their contributions are to be invested (see below further details regarding the legacy default investment options). The current default investment option is not a default arrangement for the purposes of auto-enrolment. Over the years prior to retirement, the current default investment option de-risks to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via an inflation linked pension at retirement. Typically, a proportion of members will actively choose the current default option because they feel it is the most appropriate for them. However, the vast majority of members are invested in the current default option as they have not made an active investment decision.

Until June 2014, the two default investment options, depending on when a member joined the Scheme, were the legacy default investment options. These are not default arrangements for the purposes of auto-enrolment. When the current default investment option was implemented in June 2014, members in the legacy default investment options with 10 years or more to their selected retirement date were moved to the current default investment option, members with less than 10 years until their selected retirement date continued to be invested in the relevant legacy default investment option, unless they have made an alternative investment choice.



The current default investment option comprises of the GSK Lifecycle Fund (75% GSK Global Equity Index Fund and 25% 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 prior 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 Standard GW COMPS Lifecycle (one of the legacy default investment options) is made up of 100% GSK Global Equity Index Fund until the member is 10 years from their Normal Retirement Date or their selected Target Retirement Date, if different, in order to build up their account, this is known as the “growth phase”.

During the 10 years prior 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%

The Legacy GW COMPS Lifecycle (the other of the legacy default investment options) is made up of 100% GSK Global Equity Index Fund until the member is 10 years from their Normal Retirement Date or their selected Target Retirement Date, if different, 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 be switched to the GSK Inflation Linked Pre-Retirement Fund (according to the table below) over 5 years and then held in held

in this position for a further five years, in order to protect the value of their account. This is known as the “pre-retirement phase”.

Years to your Normal Retirement Date (age 65) or selected Target Pension Date	GSK Global Equity Index Fund*	GSK Inflation Linked Pre-Retirement Fund
10+	100%	0%
9	80%	20%
8	60%	40%
7	40%	60%
6	20%	80%
5	0%	100%
4	0%	100%
3	0%	100%
2	0%	100%
1	0%	100%
0	0%	100%

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

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

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

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

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

*In view of the above, the Trustee considers the level of risk within the default option in the context of the variability of returns relative to annuity prices and cash rates.*

*These aims are achieved via automated lifestyle switches over the ten-year period to a member's selected retirement date for the legacy default investment options and the five-year period for the current default 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. However, for the Legacy GW COMPS Lifecycle there is no cash fund used.*

- 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 both the current default investment option and the Standard GW COMPS Lifecycle arrangement (one of the legacy default investment options), 75% of the member's assets will be invested in the GSK Inflation Linked Pre-Retirement Fund and 25% in a money market fund.*

*For the Legacy GW COMPS Lifecycle (one of the legacy default investment options), 100% of the member's assets will be invested in the GSK Inflation Linked Pre-Retirement Fund.*

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

- The current default investment option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. The legacy default investment options manage investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default options, the Trustee has explicitly considered the trade-off between risk and expected returns. In particular, when reviewing the investment strategy of the default investment options, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. For the legacy default investment options, the Trustee also carefully considered the risk of moving members' assets out of the de-risking period into the current default option and viewed it not to be in the best interests of those members who were within 10 years of retirement date.
- Assets in the current and legacy default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee considered high level profiling analysis of the Scheme's membership in order to inform decisions regarding the current and legacy default investment options. Based on this understanding of the membership, default investment options that target a scheme pension at retirement is considered appropriate.
- Members are supported by clear communications regarding the aims of the current and legacy default investment options and the access to alternative investment approaches. If members wish to, they can opt to choose an alternative lifecycle option or their own investment strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment options; the target benefits are merely used to determine the investment strategy held pre-retirement.

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

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

### 3.3 Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund 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 the L&G policy. 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 fund 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 fund managers) against the following criteria:

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

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

## **4. Supplementary information to the SIP**

There is further information contained in the document titled "Supplementary information to the Statement of Investment Principles" on the following:

- Defined contribution section: Fund manager summary
- Fee Structures for Managers and Advisers

### **5. Compliance with this statement**

The Trustee will review the 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.

**Dated:** 31 March 2020

**Version Control Record**

The following table records changes to this document:

<b>Version</b>	<b>Nature of Change</b>
2008	Update
2010 Mercer	Update
2011	DC Update
2014	DC Update
2015	DC Update
2015	DC Update – addition of wider fund range
Nov 2015	Add DC default wording and minor typo tweaks
Nov 2017	Addition of wording regarding investments on non-regulated markets. Changes to the Supplementary Information
Nov 2018	Update DC Section Changes to the Supplementary Information
July 2019	Update DC Section Changes to Supplementary Information
September 2019	Update Investment Policy wording
March 2020	DC Update Changes to the Supplementary Information

**GW Contracted-out Money Purchase Scheme (“the Scheme”)  
Supplementary information to the Statement of Investment Principles**

The Statement of Investment Principles for the GW Contracted-out Money Purchase Scheme sets out the guiding principles upon which the Scheme’s investments are made. The purpose of this supplementary information is to provide details of specific investments in place alongside other information relevant to the management of the Scheme’s investments.

The Trustee has obtained written professional advice from the Scheme’s Investment Consultant, Mercer, in preparing this document.

**Fund Manager Summary**

The fund range offered to members of the Scheme 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. The fund manager mandates and performance targets are shown in the table below:

Provider	Fund manager	Name of Fund	Benchmark	Performance Target
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management and Nordea Asset Management	GSK Lifecycle Fund	4.5% FTSE All Share Index / 26.2% FTSE AW - World (Ex-UK)/ 33.1% FTSE AW - World (Ex-UK) – GBP Hedged/ 7.5% FTSE AW – All Emerging Markets / 3.7% FTSE Global Developed Small Cap Index Fund/ 25% 7 day LIBID +3.5%p.a.	This fund is comprised of 75% GSK Global Equity Fund and 25% GSK Diversified Growth Fund.  For the global equity portion of the fund the target is to provide a return in-line with the equity indices.  For the diversified growth portion of the fund the target is to outperform 7 day LIBID by +3.5%p.a. (net of fees).
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK Retirement Income Fund	Bank of England Base Rate + 3.5% per year	Bank of England Base Rate + 3.5% per year
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK UK Equity Index Fund	FTSE All Share Index	To provide a return in-line with the Index.
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK Overseas Equity Index Fund	37.2% FTSE AW - World (Ex-UK)/ 46.9% FTSE AW - World (Ex-UK) – GBP Hedged/ 10.6% FTSE AW – All Emerging Markets / 5.3% FTSE Global Developed Small Cap Index Fund	To provide a return in-line with the Index.

Provider	Fund manager	Name of Fund	Benchmark	Performance Target
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK Inflation-linked Pre-Retirement Fund	Composite of gilt (predominantly inflation-linked gilts) and corporate bond indices, aiming to match the cashflows from a typical inflation-linked annuity product	To provide a return broadly in-line with the Index.
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK Cash Fund	7 Day LIBID	To outperform the index by 0.1% p.a. over a rolling three year period.
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management and Nordea Asset Management	GSK Diversified Growth Fund	7 day LIBID+ 3.5% p.a.	To outperform 7 day LIBID by 3.5% p.a. over the long term (net of fees).
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	HSBC Global Asset Management	GSK Shariah Fund	Dow Jones Islamic Titans 100 Index	To provide a return in-line with the Index.

The following fund is part of the Lifecycle options and is only open to historic contributors on freestyle basis.

Provider	Fund manager	Name of Fund	Benchmark	Performance Target
<b>Legal &amp; General Assurance (Pensions Management) Ltd</b>	Legal & General Investment Management	GSK Global Equity Index Fund	6% FTSE All Share Index / 35.0% FTSE AW - World (Ex-UK)/ 44.1% FTSE AW - World (Ex-UK) – GBP Hedged/ 10.0% FTSE AW – All Emerging Markets / 5.0% FTSE Global Developed Small Cap Index Fund	To provide a return in-line with the Index

In addition to the funds available above, members are able to select from a number of strategies that switch between the funds listed above. These are as follows:

- GSK Lifecycle Pension Option
- Legacy Default Option
- GSK Lifecycle Drawdown Option
- GSK Lifecycle Cash Option

The GSK Lifecycle Pension Option and Legacy Default Option are explained in Section 3.2 of this document.



### **GSK Lifecycle Drawdown Option**

The GSK Lifecycle Drawdown option comprises of the GSK Lifecycle 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 during the “growth phase”.

During the 5 years up to this date, the member’s account will gradually be switched to the GSK Retirement Income Fund and GSK Cash Funds (according to the table below) to reduce the level of investment risk and volatility of investment returns as members approach retirement. This option retains exposures to growth assets.

<b>Years to Retirement Date</b>	<b>GSK Lifecycle Fund</b>	<b>GSK Retirement Income Fund</b>	<b>GSK Cash Fund</b>
5+	100%	0%	0%
4	80%	20%	0%
3	60%	40%	0%
2	40%	51.7%	8.3%
1	20%	63.3%	16.7%
0	0%	75%	25%

### **GSK Lifecycle Cash**

The GSK Lifecycle Cash option comprises of the GSK Lifecycle 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 during the “growth phase”.

During the 5 years up to this date, the member’s account will gradually be switched to the GSK Cash Fund (according to the table below), in order to protect the value of their account. At retirement date the option is invested completely in cash.

<b>Years to Retirement Date</b>	<b>GSK Lifecycle Fund</b>	<b>GSK Cash Fund</b>
5+	100%	0%
4	80%	20%
3	60%	40%
2	40%	60%
1	20%	80%
0	0%	100%

### **Fee Structures for Managers and Advisers**

All managers are paid fees in relation to the size of assets managed. The Trustee believes that they represent competitive rates for the types of mandates awarded.

Mercer has been selected as the investment adviser to the Trustee.

Professional advisers, including the investment and legal advisers, are paid fees using a combination of fixed fee arrangements and based on their time spent on the Trustee’s behalf. The Trustee believes that this time based fee arrangement is suitable for professional advisers as it provides a framework for ensuring a suitable amount of attention is paid to the Scheme’s matters while allowing the Trustee a degree of control and predictability over fees.