SmithKline Beecham Senior Executive Pension Plan (“the Plan”)

Statement of Investment Principles for the Defined Benefit Section – September 2021

This Statement of Investment Principles (“**SIP**”) covers the Defined Benefit (“**DB**”) assets of the Plan. It is set out in three parts:

1) Governance Arrangements
2) Objectives, Strategy and Implementation of the DB Section
3) The Trustee's Investment Policies

The Plan’s investment arrangements with respect to the DB Section are set out in this SIP. This SIP has been prepared after obtaining written professional advice from Cardano Risk Management Limited (the “**Investment Adviser**”) which is regulated by the Financial Conduct Authority (“**FCA**”). The Trustee believes that the Investment Adviser meets the requirements of Section 35(5) of the Pensions Act 1995. The Trustee has also consulted with GSK (the “**Principal Employer**”) in forming this document.

For convenience, the Plan’s SIP has been split into two documents. This document covers the DB Section and there is a separate document covering the DB Additional Voluntary Contributions (“**AVCs**”), the document titled the ‘*Statement of Investment Principles for the Defined Benefit AVCs – September 2021’*.

The Plan is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee’s investment powers. The investment powers do not conflict with the SIP.

1. Governance Arrangements

The Trustee is responsible for the investment of the Plan assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint Audit, Risk & Operations Committee (“**JAROC**”) or to external parties such as investment advisers or asset managers.

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

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

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Set structures for implementing the IHS and make day to day decisions relevant to the operation of the IHS.
Annually update the IHS to capture any changes that have occurred in the preceding 12 months.
Require the asset managers to operate within the terms of this statement so far as practical.
Consult the Joint Investment Committee (“JIC”) for any investment input desired.

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<tr><td colspan="2">JAROC

Review ongoing operation of and risks associated with insurance solutions in use.

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<tr><td>Investment Advisers

Advise on all aspects of the investment of the Plan assets, ESG (including climate change) including implementation.
Advise on this statement.
Provide required training.
Advise the Trustee on suitability of the benchmarks used.

</td><td>Asset Managers

Operate within the terms of this statement and their written contracts.
Select the individual investments within their portfolios (e.g. individual stocks, bonds, derivatives, repos, etc as applicable) with regard to their suitability, including consideration of the impact on portfolio diversification, ESG (including climate change), and stewardship requirements.

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2. Objectives, Strategy and Implementation of the DB Section

2.1 - Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the planned investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan’s liabilities. The asset allocation strategy that it has selected (the planned asset allocation strategy) consists primarily of an insurance solution (a “**Buy-in Policy**”), designed to meet the benefits of the majority of members as they fall due.

2.2 - Strategy

The planned asset allocation strategy was determined with regard to the liability profile and funding position of the Plan. The Trustee considered written advice from its investment advisers when choosing the Plan’s planned asset allocation strategy. The Trustee monitors the planned asset allocation strategy on an ongoing basis.

2.3 - Risk Measurement and Management

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause deterioration in the Plan’s funding level and therefore contribute to funding risk. These risks are discussed in this section.

2.4 - Risks Managed by the Trustee

The risks identified by the Trustee are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when agreeing the investment strategy.

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

- Investment related risks (such as non-diversification risk, asset misallocation risk, manager risk, custody risk, stocklending risk, and cash investment risk as well as the risk attaching to a failure to adequately monitor environmental, social and governance ("**ESG**") considerations (including climate-related risks and opportunities) or other financially material considerations, which may have an adverse effect on the performance of the assets over the relevant lifespan of the Plan).

- Hedging related risks (such as counterparty risk, roll risk, hedge ineffectiveness risk, and collateral shortfall risk), and liquidity risk.

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

2.5 - Management of Operational Risk

A further risk that the Trustee has identified is the risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

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

2.6 - Regular Monitoring of Risks

The Trustee manages risks using both qualitative and quantitative techniques.

Due to the complex and interrelated nature of the risks that the Trustee manages directly, these risks are considered in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

The Trustee may also review the risks directly managed by it quantitatively. For example, the Trustee regularly reviews the progress of the Plan's funding level over time as part of its ongoing management of mismatching risk. In addition, the Trustee monitors:

- Performance versus the Plan's investment objective.

- Performance of individual asset managers versus their respective targets.

- Any significant issues with the asset managers that may impact their ability to meet their performance targets.

2.7 - Implementation

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

3. Investment Policies

3.1 - General Investment Policy also covering ESG (including climate change) and Stewardship
The Trustee of the Plan will, after having taken investment advice, decide an overall planned asset allocation for the Plan. The IHS is then developed which considers:

- The underlying schemes' chosen overall asset allocation.
- A full range of asset classes, including alternative asset classes such as private equity.
- The suitability of each asset class in the planned asset allocation strategy.
- The risks and rewards of a range of different asset allocation strategies.
- The suitability of the possible styles of investment management and manager diversification.
- The need for appropriate diversification both across asset classes and within asset classes.
- The viability of including risk mitigation strategies, for example by seeking to protect against equity falls using floors or other hedging mechanisms.
- ESG (including climate-related) risks and opportunities in the investment and funding strategies.

Having considered the above and taken advice from the investment advisers, the Trustee will consider the proposed asset allocation strategy for the Plan. It has been agreed that all of the Plan's assets will be liability matching in nature, with the majority being held in the form of a Buy-in Policy.

The Trustee expect (where used) the asset managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical. In addition, asset managers pay commissions to third-parties on many trades they undertake in the management of the assets.

The Trustee has a long-term time horizon for its investments and therefore acknowledges the importance of being an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee considers sustainable investment to be the integration of ESG factors (including climate-related risks and opportunities) into investment decisions, where financial risk and/or return is or could be materially affected ("**Sustainable Investment**").

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

To the extent asset managers are selected, retained or realised for the residual liability matching assets, the Trustee expects their managers to take into account Sustainable Investment considerations (including but not limited to climate change) when making investment decisions.

The Trustee keeps up to date on developments in Sustainable Investment through periodic training and discussions.

3.1.1 - Stewardship

Whilst the Trustee does not wish to interfere with the day to day investment decisions of its asset managers, where managers have voting rights and can be impactful the Trustee evaluates each asset manager’s approach on an annual basis and the Trustee expects its asset managers to comply with the principles outlined in the Principles for Responsible Investing and the UK Stewardship Code. The Trustee’s Investment Adviser has regular dialogue on this topic with asset managers and reports on this to the Trustee no less than annually.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, requires its asset managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt, or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interests, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy. Where an explicit policy is not available, the Trustee will require an outline of the approach taken, including examples. The Trustee reviews regularly the voting strategy of its asset managers.

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

3.1.2 - Arrangements with Asset Managers: Policy

The Trustee believes that an understanding of, and engagement with, asset managers’ arrangements is required to ensure they are aligned with Trustee’s policy, including its Sustainable Investment policy. In accordance with latest regulation, it is the Trustee’s policy to ensure that the following are understood and monitored:

- How asset manager arrangements incentivise asset managers to align their strategy and decisions with the Trustee’s policies
- How asset manager arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of asset managers’ performance and their remuneration are in line with the Trustee’s policies

- Portfolio turnover costs incurred by the asset managers, in the context of the asset manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)

- Duration of the arrangement with the asset manager

3.1.2 - *Arrangements with Asset Managers: Implementation*

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

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

3.2 - Additional Voluntary Contributions ("**AVCs**")

The Trustee has made available various investment vehicles for the investment of AVCs. The details of the policies surrounding these arrangements are set out in the Plan's '*Statement of Investment Principles for the Defined Benefit AVCs - September 2021*'.

3.3 - Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to an asset manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee approaches Sustainable Investment and ESG considerations where applicable in direct investments consistently with their general policies outlined above.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include the vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the asset manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 (as amended by subsequent legislation) and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the asset managers) against the following criteria:

- The best interests of the members and beneficiaries

- Security

- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The policy for the Plan's AVC assets which are classified as direct investments are set out in the Plan's '*Statement of Investment Principles for the Defined Benefit AVCs – September 2021*'.

4. Supplementary information to the SIP

There is further information contained in the document titled '*Supplementary information to the Statement of Investment Principles ("SIP") for the DB Section of the Plan – September 2021'* on the following:

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

5. Compliance with this statement

The Trustee will review this SIP at least every 3 years and as soon as practicable following a significant change in investment strategy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the SIP.

Dated: September 2021

6. Version Control Record

The following table records changes to this document:

Version	Nature of Change
2006	Initial Creation
2008	Regular Update
2008	Proposed stocklending wording
2008	Changed Goodman to Aberdeen
Nov 2009	Review and update
Feb 2010	Update and wording
Nov 2010	Update and wording
Jan 2011	Update and wording
Jan 2012	DC Regular review – no changes made
Sept 2012	DB changes by GSK Treasury
Oct 2012	DB changes by GSK Treasury
May 2014	Update to DC section
Nov 2014	Update to DC section
Jan 2015	Update SRI wording
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 and minor DB updates Changes to the Supplementary Information
July 2019	Governance section wording
September 2019	Updated Investment Policy wording
January 2020	AVC Section removed and minor updates
March 2020	References to 'JIC' removed
September 2020	Updated wording on asset manager policies and minor tidy up
September 2021	Updated wording on ESG (including climate policy) Minor typo tweaks

SmithKline Beecham Senior Executive Pension Plan (“the Plan”)

Supplementary information to the Statement of Investment Principles (“SIP”) for the DB Section of the Plan – September 2021

The SIP for the Plan (DB Section) sets out the guiding principles upon which the Plan’s DB 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 Plan’s DB investments.

The Trustee has obtained written professional advice from the Plan’s DB Investment Advisers (Cardano) in preparing this document.

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.

Cardano has been selected as investment adviser to the Trustee in respect of the DB Section.

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 Plan’s matters while allowing the Trustee a degree of control and predictability over fees.