

GSK Pension Fund (“the Fund”)
Statement of Investment Principles for the Defined Benefit Section - February 2024

This Statement of Investment Principles (“SIP”) covers the Defined Benefit (“DB”) Section of the Fund. 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 Fund'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 Isio Group 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 Fund's SIP has been split into two documents. This document covers the DB Section and there is a separate document covering the Defined Contribution (“DC”) Section, titled the ‘*Statement of Investment Principles for the Defined Contribution Section – October 2023*’.

The Fund 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 Fund's assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint Investment Committee (“JIC”), or to external parties such as investment advisers or asset managers.

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

<p>Trustee</p> <ul style="list-style-type: none"> • Set structures and processes for carrying out its role. • Determine (with assistance as required) the investment strategy, hedging strategy and insurance solutions. • Determine (with assistance as required) the climate change policy. • Monitor the JIC and consider proposals made by the JIC. • Review the Fund's participation in the CIF. • Select and monitor asset managers of the AVC assets. • Select the AVC investment options. • Select and monitor investment advisers. 	<p>JIC</p> <ul style="list-style-type: none"> • Select and monitor investment advisers and asset managers for the DB pension trusts. • Assist the CIF in all investment related decisions in relation to the CIF's assets. • Maintain an Investment and Hedging Strategy (IHS) document. • Set structures for implementing the IHS and make day to day decisions relevant to the operation of the IHS. • Set structures for implementing the climate change policy and make day to day decisions relevant to the operation of the climate change policy. • Annually update the IHS to capture any changes that have occurred in the preceding 12 months (which will also have been minuted in JIC meetings). • Require the asset managers to operate within the terms of this statement so far as practical.
<p>Investment Advisers</p> <ul style="list-style-type: none"> • Advise on all aspects of the investment of the Fund assets, ESG (including climate change) including implementation. • Advise on this statement. • Provide required training. • Advise the Trustee on suitability of the benchmarks used. 	<p>Asset Managers</p> <ul style="list-style-type: none"> • 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 and ESG (including climate change) and stewardship requirements.

2. Objectives, Strategy and Implementation of the DB Section

2.1 Investment Objective

The Trustee aims to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided. The investment strategy that it has selected is designed to achieve a higher return than the lowest risk strategy while still maintaining a prudent approach to meeting the Fund's liabilities.

2.2 Strategy

The Investment strategy was determined with regard to the liability profile and funding position of the Fund. It was based on the assumption that return seeking assets such as equities would outperform liability matching bonds over the long term. The strategy invests across a range of assets including equities, bonds, property and multi-asset strategies. The balance between the assets is selected with the aim of achieving the investment objective. The Trustee considered written advice from its investment advisers when choosing the Fund's investment strategy. The Trustee monitors the Investment strategy on an ongoing basis.

2.3 Risk Measurement and Management

The Trustee recognises that the key risk to the Fund 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 Fund's funding level and therefore contribute to funding risk. These risks are discussed in this section.

The risks identified by the Trustee fall naturally into two groups; those that the Trustee manages directly itself and those whose management has been delegated to the JIC, either directly or through a sub-delegation from the GSK Common Investment Fund ("CIF").

2.4 Risks Managed Directly by the Trustee

The risks identified by the Trustee that are also directly managed by itself are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when agreeing the investment strategy with the JIC.
- The possibility of failure of the Fund’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk when agreeing investment strategy with the JIC and consulted with the sponsoring employer as to the suitability of the mix between return seeking and liability matching assets. To further mitigate covenant risk, the Trustee has agreed a collateralised recovery plan with the Principal Employer in connection with the proposed separation of GSK’s consumer healthcare business.

2.5 Risks Managed by the JIC

The JIC has identified a number of risks that impact the duties that have been delegated to it. These risks include:

- Investment related risks (such as non-diversification risk, asset misallocation risk, manager risk, custody risk, stocklending risk, and cash investment risk as well as the risk attaching to a failure to adequately monitor environmental, social and governance (“ESG”) considerations (including climate-related risks and opportunities) or other financially material considerations, which may have an adverse effect on the performance of the assets over the relevant lifespan of the Fund).
- Hedging related risks (such as counterparty risk, roll risk, hedge ineffectiveness risk, and collateral shortfall risk), and liquidity risk.

These risks are identified in the Risk Map, along with the various risk mitigation options and a monitoring framework.

2.6 Management of Operational Risk

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

2.7 Regular Monitoring of Risks

The Trustee manages risks using both qualitative and quantitative techniques. In addition, it has a process in place to overview the way in which the JIC is managing the risks that have been delegated to it. Specific details of the risk management processes that the Trustee and the JIC have in place are detailed below.

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

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

2.8 Monitoring of risks delegated to the JIC

The JIC regularly monitors the risks whose management has been delegated to it by the Trustee. In addition to the risk monitoring outlined in the Risk Map, the JIC’s monitoring process also includes regular analysis of reports containing the following information:

- Performance versus the Fund’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, including their ESG ratings..

The Trustee regularly receives summaries of the above information and also summaries of the decisions made by the JIC. This forms part of its overall risk monitoring process.

2.9 Implementation

The Trustee invests DB Section assets both directly and indirectly through the CIF, which has an independent trustee board (the CIF Directors). The Trustee and the CIF have delegated all investment and hedging related responsibilities to the JIC. The JIC has delegated the management of the assets to a number of asset managers.

The Trustee also has assets in the form of insurance policies which are held to match part of the pension in payment liabilities.

The JIC monitors the performance of all asset managers on a quarterly basis and assesses any significant issues with the asset managers that may impact on their ability to meet the performance objectives set by the Trustee.

The Trustee monitors the major decisions of the JIC, such as asset allocation and manager selection to ensure that they are consistent with the objectives of the Trustee.

The JIC is responsible for ensuring that the asset mix of the Fund assets does not move too far from the planned asset allocation. The asset allocation is regularly monitored and rebalanced to ensure it remains within certain ranges.

The JIC is responsible for considering whether it would be appropriate to include alternative investments such as private equity and hedge funds in the overall investment strategy.

3. Investment Policies

3.1 General Investment Policy also covering ESG (including climate change) and Stewardship

The Trustee of the Fund will, after having taken investment advice, decide an overall objective for the Fund's investment strategy which will be communicated to the JIC. The IHS is then developed by the JIC, in conjunction with the trustees of the trusts which participate in the JIC. It is the JIC's policy to consider:

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

Having considered the above and taken advice from the investment advisers, the JIC liaises with the trustees of the trusts which participate in the JIC about the investment strategy for the Fund.

The Fund holds some of its return seeking assets in the CIF and other return seeking assets and the liability matching assets are held by the individual trusts. The Trustee reviews from time to time whether continued participation in the CIF is appropriate.

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

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

Careful consideration is given to Sustainable Investment when asset managers are selected, retained or realised and the Trustee expects their managers to take into account Sustainable Investment considerations (including but not limited to climate change) when making investment decisions. The Trustee's Investment Adviser provides Sustainable Investment ratings for asset managers on a quarterly basis, to enable monitoring of this.

The Trustee keeps up to date on developments in Sustainable Investment through periodic training and discussions and a specific allocation has been made to a low carbon equity fund.

3.1.1 Climate change

The Trustee sets out its policy relating to the governance of climate-related risks and opportunities in a separate annually published climate report. The Trustee includes its portfolio metrics and climate change targets in this report.

3.1.2 Stewardship

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

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

On behalf of the Trustee, the JIC reviews regularly the voting strategy of its asset managers and has identified a series of specific stewardship priorities that it considers most significant to help oversee voting and engagement activity.

In the event the voting and engagement strategy is deemed insufficient, the JIC will either request further engagement and updates from the Investment Adviser or engage directly with the asset manager. If this is not successful, the JIC could ultimately opt to remove the asset manager.

The Trustee welcomes the views of the members and beneficiaries, including (but not limited to) their views in relation to Sustainable Investment, which are periodically fed back to the Trustee. For the avoidance of doubt however, it does not currently take any non-financial factors into account when setting the investment strategy.

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

3.1.3 Arrangements with Asset Managers – Policy

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

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

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

3.1.4 Arrangements with Asset Managers – Implementation

The Trustee, through delegation to the JIC, considers their Investment Adviser's assessment on the alignment of the asset manager with the Trustee policies, including those related to ESG and Stewardship. The Trustee will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of asset managers.

Asset managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Whilst the Trustee notes that their ability to influence decision making within pooled fund structures is limited, the underlying asset managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. Asset managers are appointed on an ongoing basis which helps to incentivise them to focus on medium to long term performance.

The Investment Adviser or JIC meets the asset managers from time to time to discuss their investment performance, strategy, their performance as Sustainable Investors and to discuss any issues of concern. They provide regular updates to assist the Trustee in fulfilling their responsibility for monitoring and reporting on the asset managers' performance. Where needed the Trustee will challenge managers on their policies and instances where managers may not be aligned with best practices within the industry. This action is taken to ensure continuing improvement over the medium to long term in the performance of assets from both a financial and non-financial perspective.

The JIC and Trustee receives performance reports from their Investment Advisers on a quarterly basis, which present performance information for the funds over three months, one year, and since inception. The JIC reviews the absolute performance and relative performance against a suitable index or target used as the benchmark, on a net of fees basis. Whilst the JIC and Trustee's focus is on long-term performance, it also takes shorter-term performance into account.

If an underlying manager is not meeting performance objectives, or their investment objectives have changed, the Trustee may review the suitability of the manager, and change managers where required. As managers are remunerated based on the level of assets managed and in some cases with an additional performance related fee, there is a direct interest for asset managers to perform in line or ahead of targets in order to retain mandates and continue to receive compensation on an ongoing basis.

The Trustee does not currently define target portfolio turnover ranges for asset managers, particularly as the Trustee primarily use pooled funds. However, the Trustee will engage with an asset manager if portfolio turnover is higher than expected. The JIC considers portfolio turnover costs indirectly through consideration of overall costs incurred throughout the year (including all manager fees and expenses), provided within data the Trustee receives annually under the MIFID II framework.

All the investment vehicles are open-ended, with no set end date for the arrangements. An asset manager's appointment may be terminated due to a change in the overall investment strategy or changes in expectations of their ability to deliver against the agreed mandate or in line with the investment policies of the Trustee.

3.1.5 Other

The Trustee has appointed a global custodian. The custodian provides safekeeping for all the Fund's assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions. The custodian also provides unitisation of the CIF's assets to ensure that Fund's assets are clearly identified.

Assets are mainly invested on regulated markets. We note that some funds may have exposure to securities not on regulated markets. The Trustee has delegated the management of these securities to asset managers to ensure these are kept to prudent levels.

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

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

The Trustee's investment advisers have the knowledge and experience required under the Pensions Act 1995.

3.2 – Leverage and collateral management

The Trustee will adhere to all relevant regulatory requirements, and be mindful of all relevant regulatory guidance, in relation to leverage and collateral management within the Plan's liability hedging ("LDI") and synthetic equity portfolio. Reflecting this the Trustee has an agreed collateral management framework with the Plan's LDI manager and synthetic equity manager. The monitoring of this is delegated to the JIC with support provided by the investment advisor. Further information on this is contained within the IHS.

3.3 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 Fund's '*Statement of Investment Principles for the Defined Contribution Section – October 2023*'.

3.4 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 and any interests in Scottish Limited Partnerships. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the asset manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation) and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the asset managers) against the following criteria:

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

The policy for the Fund's AVC assets which are classified as direct investments are set out in the Fund's '*Statement of Investment Principles for the Defined Contribution Section – October 2023*'.

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 Fund – February 2024*" on the fee structures for Managers and Advisers. In addition, details of the policies governing AVC arrangements are set out in the Fund's '*Statement of Investment Principles for the Defined Contribution Section – October 2023*'.

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: February 2024

GSK Pension Fund (“the Fund”)
Supplementary information to the Defined Benefit Statement of Investment Principles –
February 2024

The Statement of Investment Principles for the GSK Pension Fund (Defined Benefit section) sets out the guiding principles upon which the Fund’s Defined Benefit 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 Fund’s investments.

The Trustee has obtained written professional advice from the Fund’s Investment Defined Benefit Investment Advisers, Isio, in preparing this document.

Additional Voluntary Contributions (AVCs)

Detailed information on AVC Asset Managers can be found in the Statement of Investment Principles for the DC Section of the Fund.

Fee Structures for Managers and Advisers

All managers are paid fees in relation to the size of assets managed. In addition, Farallon is paid a fee based on investment performance. The Trustee believes that they represent competitive rates for the types of mandates awarded.

Isio has been selected as investment adviser to the Trustee and the JIC in respect of the Defined Benefit 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 Fund’s matters while allowing the Trustee a degree of control and predictability over fees.