SmithKline Beecham Senior Executive Pension Plan
("the Plan")
Statement of Investment Principles

This Statement of Investment Principles (SIP) covers the is set out in four parts:

1) Governance arrangements
2) Objectives and implementation
3) The Trustee's investment policy.

1. Governance Section

The Trustee is responsible for the investment of the Plan assets. The Trustee takes some decisions itself and delegates others (either directly or indirectly) to the Joint Investment Committee (JIC) , the Joint DC Committee (JDC) or to external parties such as Investment Advisors 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.

<table>
<tr><td>Trustee
• Set structures and processes for carrying out its role.
• Determine (with assistance from the JIC) targeted allocation strategy between return seeking and liability matching assets.
• Determine (with assistance as required) the investment strategy, hedging strategy and insurance solutions.
• Monitor the JIC and consider proposals made by the JIC.
• Review the Plan’s participation in the CIF.
• Select the DC and AVC investment options.
• Select and monitor investment advisers.</td><td>JIC
• Select and monitor investment advisers and fund managers for the DB pension schemes.
• Assist the Trustee with setting its targeted asset allocation.
• 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.
• Require the fund managers to operate within the terms of this statement so far as practical.</td></tr>
<tr><td colspan="2">JDC
• Review all aspects of the Plan that relate directly to the DC arrangements, including investments, risk monitoring, education and operations.</td></tr>
<tr><td>Investment Advisers
• Advise on all aspects of the investment of the Plan assets, including implementation.
• Advise on this statement.
• Provide required training.
• Advise the Trustee on suitability of the benchmarks used.</td><td>Fund 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.</td></tr>
</table>

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

2. Defined Benefit 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) is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

2.2 Strategy

The planned asset allocation strategy was determined with regard to the liability profile and funding position of the Plan. It was based on the assumption that equities would outperform 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 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.

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 Plan'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.

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 to name but a few) and 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 Plan'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 Plan investment objective as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- Any significant issues with the fund managers that may impact their ability to meet their performance targets.

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 fund managers.

The JIC monitors the performance of all fund managers on a quarterly basis and assesses any significant issues with the fund 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 Plan 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 Policy

3.1 General Investment Policy

The Trustee of the Plan will, after having taken investment advice, decide an overall planned asset allocation for the Plan between return seeking and liability matching assets which will be communicated to the JIC. The IHS is then developed by the JIC, in conjunction with the trustees of the schemes which participate in the JIC. It is the JIC's policy to consider:

- 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.

Having considered the above and taken advice from the investment advisers, the JIC liaises with the trustees of the schemes which participate in the JIC about the proposed asset allocation strategy for the Plan.

The return seeking assets are contained in the CIF and the liability matching assets are segregated by the individual schemes. The Trustee reviews from time to time whether continued participation in the CIF is appropriate.

The Trustee and the JIC expect the fund 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, fund managers pay commissions to third parties on many trades they undertake in the management of the assets.

For the DC section, 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 recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is L&G that has the direct relationship with the third parties offering the funds (and not the Trustee).

The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee believes that the integration of ESG factors within Investment Managers' investment processes is not detrimental to the risk and the sustainable long-term expected returns from the Scheme's investments.

The Trustee does not wish to interfere with the day to day investment decisions of its investment managers. However, the Trustee does encourage its investment managers to comply with the principles outlined in the Principles for Responsible Investing and the UK Stewardship Code where this is appropriate for their mandate.

The Trustee supports the principle of 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 on environmental, social and governance ("ESG") matters and how they will measure the effectiveness of this strategy. The Trustee reviews regularly the voting strategy of its investment managers.

The Trustee has appointed a global custodian. The custodian provides safekeeping for all the Plan'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 Plan's assets are clearly identified.

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 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 vehicles available for members' DC contributions and 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 fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 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

4. Supplementary information to the SIP

There is further information contained in the document titled "Supplementary information to the SIP_SBSEPP Pension Plan" on the following:

- Additional Voluntary Contribution (AVC) Fund Manager Summary
- Fee Structures for Managers and Advisers

SmithKline Beecham Senior Executive Pension Plan ("the Plan")

Additional Voluntary Contribution (AVC) Fund Manager Summary

The fund range offered to AVC members of the Plan 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 managers for members' additional voluntary contributions (AVCs) and the various options are shown below:

Provider	Fund manager	Name of Funds
Legal & General Assurance (Pensions Management) Ltd	Legal & General Investment Management	Various unitised funds
Legal & General Assurance (Pensions Management) Ltd	Standard Life Investments	Standard Life GARS
Zurich With Profits*	-	With Profits
Prudential*	-	With Profits
Equitable Life*	-	With-Profits

* These providers are closed to new contributions.
** These providers are open to new contributions from existing contributing members only.

Fee Structures for Managers and Advisers

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

Cardano has been selected as investment adviser to the Trustee and the CIF in respect of the Defined Benefit assets. Mercer has been appointed as the investment adviser for the money purchase assets.

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.