Annual Report and Financial Statements 2021

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Report from Chair

This year began with a new vision and strategy for Wellcome. To enable us to put this bold new approach into action, Wellcome has restructured and undertaken implementation planning. This has happened while most of our staff have been working remotely due to ongoing public health measures and advice in response to the Covid-19 pandemic. The Board is very thankful for the extraordinary efforts of Wellcome's staff in these difficult circumstances.

Much of Wellcome's support for science is long-term, which means that a change in strategy does not happen overnight. While new ways of working are being introduced, we will continue to see the fruits of previous strategies over the coming years. Many of those achievements will, of course, still be relevant to our new strategy, as we build on our strengths to continue our mission in a rapidly changing world.

One of those strengths is the support we can offer researchers to search for new understanding about the world. As an independent foundation, Wellcome can choose to fund discovery research where the pathway to impact may be very long-term or even not initially apparent. We hope that a broad portfolio of grants enabling researchers to concentrate on learning about the world and how life works will yield unanticipated discoveries that go on to help improve health and wellbeing. In this Annual Report, we give an example of how Wellcome's long-term support for basic science has contributed, directly and indirectly, to the first malaria vaccine (page 15).

A growing feature of Wellcome's approach is work at the intersection of public policy and health, which we have done and will continue to do in relation to the pandemic (see pages 12-13). In the future, Wellcome will fund urgently needed research while also advocating for science to drive action, especially in our health challenges of infectious disease, mental health, and climate and health.

2020/21 is the last year for which we will report spend and activity against the previous strategic framework. Our overall charitable spend in this year was £1,233 million across science, innovation, culture and society, and priority areas. Having spent around £5 billion on charitable activities over the past five years, our financial planning is now based on spending around £16 billion over the next ten years (see page 37).

Notable successes this year are our continuing contributions to research in response to the pandemic, including international clinical trials, and our role in beginning to establish a new approach to mental health science (see page 20).

To achieve our goals and improve health through research, Wellcome has to actively work to help bring more equality and diversity into science and health. A new approach to diversity and inclusion published this year (page 21), applied across the full range of our new strategy, will help us to use our activities and influence to effect positive change. This requires us to accelerate our progress towards becoming an organisation that is explicitly anti-racist and anti-ableist, for example. This year we introduced and published formal anti-racism principles and guidance for staff (page 57), to be followed by a similar resource for anti-ableism.

Wellcome in numbers

£1,233m

Charitable expenditure, including research grants, 2020/21 (2019/20: £1,099m)

34.5%

Annual return from Wellcome's investment portfolio, 2020/21 (2019/20: 12.3%)

£36,261m

Total funds at 30 September 2021 (2020: 27,822m)

Investments

Our investment portfolio returned 34.5% in the year to 30 September 2021, or 33.0% after inflation, leading to an increase in total funds of £8,439 million to £36,261 million. Our annualised returns over the past ten years have been 15.2%, which is a cumulative 312% increase (see page 23). This growth has enabled a step change in Wellcome's ability to fund our mission, giving us momentum as we move to our new strategy and scope to further raise our ambitions. As we have seen in the past two years, supporting science to solve the urgent health challenges facing everyone has never been more important. The Board thanks the investment team for their efforts.

"Our aspiration is to be at the best possible standard for governing Wellcome."

Our financial year coincided with a far more rapid recovery in the global economy and financial markets than anyone expected. However, the exceptional performance came largely from our portfolio of private assets, which has been carefully nurtured over many years (page 30).

In January, Wellcome purchased Urban&Civic plc, the first time we have taken a company private. We also obtained outline planning permission to significantly expand the Wellcome Genome Campus, which led to an increase in the valuation of our agricultural assets this year. We obtained outline planning permission this year (page 31).

Looking ahead, we do not expect a repeat of the last decade, but we are confident that the investment portfolio as a whole will continue to deliver sufficient returns to maintain our planned level of expenditure in real terms over the next ten years.

Board updates

I started as Chair of Wellcome's Board of Governors in April 2021, when Eliza Manningham-Buller retired. The whole team is incredibly grateful for Eliza's work and her leading role in helping Wellcome seize the opportunities that our new strategy affords. I am personally very thankful for Eliza's support during our extremely smooth handover and for facilitating my access to the Board, the Executive and the rest of the organisation from the announcement of my appointment. I was also involved in the recruitment of new Governors in the lead-up to starting in the role.

Our new Governors are Gabriel Leung, Arup Chakraborty and Ijeoma Uchegbu, who bring perspectives from epidemiology, the intersection of immunology and physical sciences, and pharmaceutical nanoscience. I am grateful to Tobias Bonhoeffer and Bryan Grenfell, who concluded their Board terms this year, for the great contributions I know they have made to Wellcome.

At the end of 2021, Mike Ferguson finished his final term after almost ten years on the Board. Wellcome is indebted to him for his leadership as both a Governor and Deputy Chair. Fiona Powrie, who has been a Governor at Wellcome for four years, has been selected as the incoming Deputy Chair (see page 44).

In 2022, an independent review of governance at Wellcome will enable us to ensure that our governance is right for the new strategy (see page 44). Our aspiration is to be at the best possible standard for governing Wellcome, an organisation that combines an ambitious charitable mission to improve health through research with a significant portfolio of financial investments that funds everything we do.

In line with that aspiration, we have enhanced some of our disclosures in this Annual Report, such as on stakeholder engagement (pages 48-54) and more about our people, including our gender pay gap (pages 56-58). We have also included for the first time a progress report on our plan to get the Wellcome investment portfolio to net zero (pages 33-35). This is to increase transparency and accountability for delivering our mission, while using our independence for public benefit.

Julia Gillard

Julia Gillard
Chair of Wellcome

Report from Director

A new strategy, increased charitable expenditure and a single, integrated organisation mean Wellcome is set to enter a new phase.

Thank you to all my colleagues at Wellcome, our Board and new Chair Julia Gillard, members of the research community who sit on our advisory funding committees, and to everyone whose work this year was supported by Wellcome. You make it possible for Wellcome to pursue our mission, and you have achieved so much in another year of uncertainty and upheaval.

We would all like the Covid-19 pandemic to be over. But there will not be a clear end, and its impacts will continue to be felt for years to come. Societies will be adapting to Covid as an endemic infection, individuals to living with long-term effects of Covid infection, and every government to the most unwelcome proof of the need to better prepare for the inevitable future disruption of pandemics, climate change or other great challenges this century.

Charitable spending by area

Science

£862m 2020: £771m

Innovations

£126m 2020: £104m

Culture & Society

£102m 2020: £108m

Priority areas

£143m 2020: £116m

There are many lessons from Covid – here are three that stand out to me:

- Existing inequities in health and other aspects of our lives are exacerbated in a health crisis, so we need to embed equity in all our work.
- Speed is of the essence – it is not enough to be prepared, we must be prepared to act in the absence of certainty, and to adapt quickly as circumstances change.
- Science is essential to finding solutions but it cannot do so alone – only as part of an integrated, cross-society response can science realise its potential to solve health challenges.

Covid and other potentially pandemic infectious diseases are not the only urgent health challenge facing everyone in the world today.

This year's Wellcome Global Monitor, a survey of thousands of people across more than 100 countries, showed that most people consider their mental health to be at least as important as their physical health, and yet science has struggled to speed the progress of more effective and more reliable ways to prevent, treat, manage or cure mental health problems.

And climate change is perhaps the biggest threat to human health we have ever experienced as a species. Its impacts will go far beyond environmental destruction – catastrophic as those effects will be. People's health is already being directly and indirectly damaged by climate change. Unless we begin to understand more about the health impacts of climate, these effects will only get worse.

That's why infectious diseases, mental health, and climate and health are the three challenges Wellcome has chosen to focus on in our new strategy. In deciding how to pursue our mission for the next ten years, we have taken a longer-term perspective, taking into account the impacts these challenges will have on health for decades to come. Underpinning this work is our unswerving support for discovery research, which remains the best engine for generating new insights and inspiring new ideas.

Wellcome strategy from 1 October 2021

Organisation

Transition to our ambitious new strategy continued this year with further development of how we will approach each part of our work, and a comprehensive restructure of teams across the organisation. The organisational design was necessary to deliver our strategy, but there is no doubt it was difficult and disruptive, especially with a workforce that was dispersed due to Covid-19 restrictions in the UK and Germany. Having completed the redeployment process, including some voluntary redundancies and a small number of compulsory redundancies, we ended this year with a number of vacant roles – these roles will be filled in the coming months and Wellcome will be at full strength in pursuit of a shared vision and strategy.

"You have achieved so much in another year of uncertainty and upheaval"

I was delighted to welcome Cheryl Moore to the Executive Leadership Team in May 2021, taking over from Jim Smith who led the development of our new vision and ambitions. Cheryl has a pivotal role as Director of Research Programmes, helping to put our strategy into practice and ensure Wellcome retains the integrated approach that has proved successful in the past few years. That means not only working across science, innovation and society, but also enabling connections across discovery research and our health challenges that will help us to achieve our mission in the years to come.

There are many facets to Wellcome. The research we support, the health challenges we're taking on; our values and culture; the work we do in policy and communications; the partnerships we make, the people we connect; our cultural venue Wellcome Collection; and our high-performing investments team. Bringing it all together, with a new strategy and a quite astounding increase in spending power in recent years, Wellcome is entering a new and exciting phase. Our ambitions are higher, our perspectives broader – and we are more confident in our role at the intersections of global science, innovation, society and health, to help ensure a sustainable and healthy future for all.

Jeremy Farrar
Director of Wellcome

Trustee's Report

Tears of Drought
Sharwar Apo

Parents take their child to hospital in Rajshahi, Bangladesh, 10 to 15 miles across this drought-parched land, the mother holding a saline drip all the way.

Image credit: Sharwar Apo / Wellcome Photography Prize 2021

What we do

Wellcome is an independent global charitable foundation dedicated to improving health through science. We are accountable to society for delivering our mission, while using our independence for public benefit.

Our strategic framework (2015-2021)

Wellcome exists to improve health by helping great ideas to thrive.

We support researchers
Wellcome directly funds thousands of scientists and researchers around the world addressing fundamental health challenges of our time, across biomedical science, population health, medical innovation, humanities and social sciences, and public engagement. We give grants through schemes run by our three funding divisions: Science, Innovations, and Culture and Society.

We take on big health challenges
We identify areas in which Wellcome can lead significant change within five or ten years. The aim is to transform the global response to some of today's biggest health challenges, such as drug-resistant infections, global heating and mental health.

We campaign for better science
Through partnerships across the world, we advocate to ensure that good research is well supported, and that health is improved by changes to policies and practices based on evidence.

We help everyone get involved
We engage the public so that people are more aware of science and health research, and feel able to make the most of it in their own lives. Through our Culture and Society division, we offer grants to Wellcome-funded researchers and a range of other people and organisations for public engagement activities. We directly run a number of other activities including Wellcome Collection, our free museum and library.

Our spending

From 2017 to 2021, Wellcome maintained an average funding level of around £900 million a year, rising with inflation, for our core activities: supporting researchers, campaigning and public engagement. This provided stability and predictability for our annual spending plans (see page 39).

When the investment portfolio performance is sufficiently strong, we release discretionary funding to support new ambitious, large-scale and high-impact activities tackling big health challenges. These activities are reported to and monitored by the Executive Leadership Team and the Board of Governors, who assess the overall use of this discretionary funding.

Our priority areas

- Data for science and health
- Diversity and inclusion
- Drug-resistant infections
- Mental health
- Our Planet, Our Health
- Research ecosystems in Africa and Asia
- Science education
- Snakebites
- Vaccines

In October 2020, Wellcome published a new vision and ambitions on our website. In the year since, we have been developing the strategy, culture, and organisational design to deliver that vision.

From October 2021, we will report progress against our new strategy, outlined on the next page. This year's Annual Report is the last year in which we will report against our previous strategic framework.

Our new vision

Wellcome supports science to solve the urgent health challenges facing everyone.

Discovery research
Funding bold research across any field with the potential to change the way we understand life, health and wellbeing. Our aim is to enable researchers to be ambitious in their search for new understanding about the world.

Health challenges

Mental health: Helping to define a new era of mental health science that can find more effective solutions so that no one is held back by mental health problems.

Infectious disease: Working with and within communities most affected by infectious diseases, funding research to bring infectious diseases under control and prevent future epidemics.

Climate and health: Helping to protect and improve people's health by funding science that can inform the world's responses to climate change.

Diversity, inclusion and positive research environments are central to our strategy and will be embedded into the work we fund and do.

Wellcome supports science to solve the urgent health challenges facing everyone.

Why we believe in this vision

Science is essential to solving the world's health challenges. That's Wellcome's founding principle and it's as true today as ever. It's why we will always support bold research across a wide range of disciplines to discover more about life, health and wellbeing.

But three global challenges today threaten to undermine our efforts to improve health for decades to come. The effects of mental health problems, infectious diseases, and climate change limit life for people of all ages in all parts of the world, and can devastate communities for generations.

These are the urgent health challenges of the 21st century and Wellcome is taking them on. That means significant commitments and actions sustained over many years.

Discovery research – defined broadly, including physical and social sciences and the humanities – will underpin the best solutions to these challenges, though science alone is not enough. It needs support from many areas of research and innovation, and advocacy for approaches built on scientific evidence. And because the effects of these challenges will not be felt evenly across the world's population, this must be done in partnership with the people whose health is most at risk.

Wellcome's perspective on health and how to improve it spans science, innovation and society. We are connecting people across research and society to discover new knowledge, inspire new ideas, and create new solutions. We are campaigning for better science and better systems to ensure solutions work for those who most need them and have the right support to be implemented, whether that's today or over the next 30 years.

In all that Wellcome does, we want the broadest possible range of people to contribute to, and benefit from, science's potential to change the world.

Year at a glance

This has been a transitional year for Wellcome, aligning the organisation to deliver a new strategy. This year's record return on our investment portfolio has only increased the scale of ambition for Wellcome's impact on the world's health over the next ten years.

While going through significant internal change, however, Wellcome has remained committed to supporting science to improve health. The Covid-19 pandemic continues, and as the virus looks set to become endemic, research of many kinds will be critical in finding ways to live with it. We can learn lessons from the pandemic for how science can play an influential role in the response to other worldwide health challenges, especially climate change.

Something that won't change is Wellcome's commitment to supporting bold research across a wide range of disciplines to discover more about life, health and wellbeing. Whatever challenges facing our health today and in the decades ahead, innovative ways to solve health challenges will be found through the unanticipated insights that come from funding and supporting curiosity-led discovery research.

Discovery research

In line with our new strategy's focus on discovery research, this year saw the introduction of three new funding schemes to replace most of our previous schemes. As well as underpinning the pivotal role of discovery research in Wellcome's work, it was an opportunity to make applying for funding more straightforward and accessible for a broader range of researchers.

New schemes:

- Wellcome Early-Career Awards
- Wellcome Career Development Awards
- Wellcome Discovery Awards

See page 12 for more about Discovery research.

Wellcome in numbers

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Diversity and inclusion targets

We want as many people as possible to contribute to – and benefit from – science's potential to change the world. Diversity and inclusion are essential to our new strategy, and this year Wellcome set three ambitious targets to reach by 2031. Progress towards these targets will make Wellcome a more inclusive employer, a more inclusive funder, and the research we fund will be more inclusive.

Wellcome also introduced anti-racism principles and guidance this year, to be followed next year by a similar anti-ableism programme.

See page 21 for more about the work of our Diversity and Inclusion team, and page 56 for more about the impact on people at Wellcome.

Charitable spend to rise

All of Wellcome's work is funded by returns from our portfolio of investments, managed by our in-house team. This year saw a 34.5% gain in the portfolio, helped by good performances from most of our assets. This has contributed to a 312% increase over the past ten years, and allows us to plan for spending £16 billion over the next ten years on charitable activities in line with our new strategy. This is a significant increase on the approximately £5 billion we have spent over the past five years, and means we will be able to do more than ever before to improve health through research.

With rising inflation, geopolitical tensions, uncertainty about the sustainability of current policy settings and high valuations of most assets, we do not expect a repeat of the last decade, but we are confident that the portfolio will continue to deliver sufficient returns to at least maintain our current high level of expenditure in real terms for the foreseeable future.

Our Review of Investment Activities begins on page 23.


Gallery Photo: Steven Pocock

Joy exhibition, Painting: © Joy Labinjo

Connecting research

Wellcome's support for science goes beyond funding. This year, we have been exploring opportunities to connect people and stimulate collaborations in pain research. At least one in five adults in the world live with pain that limits their daily activities. Studying the brain and body in isolation has made it difficult to progress our understanding of pain. Through online workshops, Wellcome has helped to drive innovation and catalyse new multidisciplinary research, leading to four new groups studying pain through multiple lenses.

Find out more about this work on page 16.

Covid contribution

Wellcome has continued to play a role at the intersection of science and global politics in the response to the pandemic. We have continued to fund research into Covid-19 and potential solutions to bring it under control. A focus for us this year has been supporting genomic sequencing, analysis and capacity-strengthening to inform surveillance of the virus and its variants. At the Wellcome Sanger Institute, for example, more than 300 staff and volunteers are supporting large-scale, high-throughput sequencing. The institute has contributed more raw sequences of SARS-CoV-2 genomes than any other institution in the world.

See pages 12-14 for more about Wellcome's role.
Find out how we supported staff on page 58.

On Happiness

Wellcome Collection reopened its doors to visitors in May 2021 for the first time – apart from a few weeks in autumn 2020 – since the introduction of lockdown public health measures in London in March 2020. Covid-19 influenced our programme as much as our operations as we asked our visitors to consider what it means to be human during a pandemic. In July 2021, a season of exhibitions and events called On Happiness opened. It brought together voices from across cultural, scientific and spiritual fields to reflect on the elusive subject of happy feelings. From an understandably low start, visitor numbers steadily increased through the summer and into the autumn.

See page 18 for more about Wellcome Collection.

Climate and health

2021 has been an important year for considering the global response to climate change. The COP26 meeting in Glasgow this year provided a focus and stimulus for countries to come together and strengthen commitments to mitigating and adapting to climate change. Wellcome has identified climate change as one of the biggest health challenges of this century in our new strategy, and it was important to take that message to world leaders, business, and climate activists. Our first significant presence at an international climate event, we were looking for future partnerships to help us achieve our goals in the climate and health challenge.

See pages 9 & 20 for more about the climate and health challenge in our strategy.

See pages 33-35 to find out how we're getting Wellcome's investment portfolio to carbon net zero, and page 54 for information on our plans to address climate change as an organisation.

Wellcome Leap

Launched in 2020 with £250 million, Wellcome Leap Inc builds unconventional research programmes that aim to deliver breakthroughs in health in five to ten years. Having got up and running this year, it already has five programmes in progress, and a network of more than 60 research organisations across six continents. One of Wellcome Leap's defining aspects is that from announcing a new programme to making the funding decision takes just 100 days.

See page 13 for more about Wellcome Leap.

Review of Charitable Activities

Summary

As the biggest health challenge facing the world for many years, the Covid-19 pandemic has remained a natural focus for Wellcome. Our support for research in response to the pandemic has contributed to better health outcomes. While the need for research into Covid-19 remains strong, however, it is a relatively small proportion of Wellcome's overall charitable spend.

As ever, most of our charitable expenditure went this year towards funding research that has short-, medium- or long-term potential to help improve health. We do this through granting awards and providing support to individuals, collaborations, programmes and institutions (see page 38). We also pursue our mission through partnerships and joint initiatives such as the Coalition for Epidemic Preparedness Innovations (CEPI, see page 20), CARB-X for antibiotic research, or the new Antimicrobial Resistance (AMR) Action Fund, to which we contributed £50 million this year (page 20). Research can often be a cumulative process over many years, so decisions about who Wellcome will support in a given year will lead to outputs and outcomes in the future.

Internally, this year has been dominated by the development and implementation of a major redesign of organisational structures to fit our new strategy. It has been disruptive for staff (see page 6) but necessary to bringing Wellcome into a position from where we can have more impact in the world, improving health for more people through research. With the organisational design finished in September 2021, we can now align behind our evolving strategy to achieve our vision of supporting science to solve the urgent health challenges facing everyone.

Overview

The long-term vision and ambitions for Wellcome's strategy were published in October 2020. A major focus this year has been to progress the development of a strategy to achieve those ambitions, acknowledging that doing so while the organisation was dispersed brought some challenges alongside exciting opportunities. A comprehensive redesign of the organisation, alignment of teams' and individuals' work, and a deliberate shift in culture have set us up for success.

A significant milestone was the launch, in August 2021, of three new Discovery Research funding schemes that will be open to researchers in the UK, Ireland and low- and middle-income countries (as defined by the OECD's list of official development assistance recipients). The first awards through these schemes will be made in 2022. As an independent foundation, Wellcome can choose to fund discovery research where the pathway to health impact may take a long time or not be that apparent at first. As such, our Discovery Research schemes will support bold research across any field with the potential to change the way we understand life, health and wellbeing. That includes biomedical, physical and social sciences, the humanities, and clinical research (see *Experimental Medicine* below for an example of clinical discovery research), bringing together categories of research that were previously separated in our funding mechanisms. Including diverse perspectives and backgrounds is as essential to discovery as the coming together of different disciplines and expertise. We know Wellcome has a great deal more to do for the range of people we fund to become more representative of the global population – see pages 21 and 57 for details of our diversity and inclusion goals.

Due to lower capacity during the organisational design and the pandemic – and the need to limit risks of transmitting Covid-19 – these new schemes launched without the level of communication we would usually have had. For example, we did not run roadshows at

Experimental medicine

Sadaf Farooqi's research, which Wellcome helps fund, focuses on bodyweight. She has found several genetic factors that influence bodyweight, mostly through affecting appetite. Since the 1990s, her work has involved around 7,000 people who developed above-average body mass index in childhood. Farooqi is a clinician-scientist, and while much of her research with human participants addresses clinical needs, lots of it is about basic discovery – an approach sometimes called experimental medicine because it means performing experiments in people to further understanding of health and disease. It's an example of why Wellcome will continue to fund clinical researchers in our new Discovery Research schemes, as well as biologists, physicists, social scientists, and many more.

Vaccine facilitators try to persuade a family to let them meet at their house. Lots of the Baudy people refuse to get vaccinated because it is against their customary rules. August 20, 2021 in Serang, Indonesia.

Image © Oscar Siagian / Stringer

universities to explain the new schemes in person to academic researchers. Although we cannot attribute cause and effect, the numbers of applicants for the first deadline of the awards were relatively low. As we continue to inform researchers about the objectives of our new schemes, we hope to see the numbers of applicants rise.

A different approach to discovery is Wellcome Leap, conceived in 2018 and launched by Wellcome with £250 million in 2020. It is envisioned to broaden our overall activities with ambitious, transformational activities that don't fit the standard funding model. Wellcome Leap programmes have bold, measurable goals and are funded at scale to achieve them. Programmes are constructed for breakthroughs, with strong programme directors leading diverse, multidisciplinary, multi-organisational and multinational teams. From programme announcement to funding decision is 100 days, with funding and work starting within weeks.

In a little over a year, Wellcome Leap has stood up operations and launched five programmes with directors hired from four countries; established a $30 million partnership with CEPI for a joint programme; and signed on over 60 research organisations and companies to the Leap Health Breakthrough Network, representing around 600,000 researchers across six continents – the largest, most rapidly 'activatable' such network in the world. Wellcome Leap programmes are positioned to deliver breakthroughs that will change existing practices and deliver transformative health benefits at scale and speed.

Wellcome has continued to play a role at the intersection of science and global politics in response to the pandemic. We have funded more research into Covid-19 this year, directly and through partnerships such as the Covid Therapeutics Accelerator. A priority for us this year has been to support sequencing, analysis and capacity strengthening to inform genomic surveillance of the virus and emerging variants (see *Wellcome Sanger Institute* below).

Since the start of the pandemic, Wellcome has funded a number of clinical trials for Covid-19. The progress of many effective vaccines has been well documented, including the role of CEPI, which Wellcome helped to found. CEPI is also part of Covax, an international mechanism for more equitable distribution of vaccines internationally. A constant

Wellcome Sanger Institute

The Wellcome Sanger Institute is providing large-scale, high-throughput genome sequencing and analysis of the Covid virus, alongside many other avenues of research to support the pandemic response in the UK and internationally. More than 300 staff and volunteers are supporting the institute's response to Covid-19 but this has not stopped other programmes of research from continuing, including important work on human and animal genetics, and the genomics of cancer and other diseases.

The Wellcome Sanger Institute and the broader Wellcome Genome Campus where it is based operate under the name of Genome Research Limited, a charitable subsidiary of Wellcome.

Charitable spending by area

Science

£862m

2020: £771m

Our aim is to catalyse excellent science and maximise its health impacts. A major part of our work is engaging with the research community, many of whom will apply to and be supported by our funding schemes.

Innovations

£126m

2020: £104m

We work with people and organisations across the world to transform great ideas, discoveries and inventions into treatments and products.

Culture & Society

£102m

2020: £108m

We maximise Wellcome's impact on human health by understanding the social and cultural contexts of science and health. This includes supporting research in the humanities and social sciences, and public engagement with science.

Priority areas

£143m

2020: £116m

Wellcome chooses priority areas where we want to see significant change. We lead and are accountable for these activities, working with partners to achieve ambitious goals.

Spending on Covid-19 research and response is spread across all areas. More detail on Annual Charitable Expenditure and movements between the current and prior year is given in the Financial Review on page 36 and in note 6.

challenge has been persuading governments to look beyond their own national needs and response, and to act globally to vaccinate the world. Despite challenges on both the level of donation of doses from richer countries and the level of effective distribution, however, Covax has made a significant difference to the global response to Covid, distributing over 600 million doses to over 140 countries since the first delivery to Ghana in February 2021.

The search for a suite of effective and specific treatments has been less fruitful to date, but the more we discover about the virus and the effects of infection, the more progress we can expect to see. The RECOVERY trial, which Wellcome supports through core funding and grants, has been at the forefront of testing potential treatments and identifying those that are effective at reducing the severity of illness people experience. The trial has over 180 sites across the world, has involved over 40,000 participants, and has provided robust evidence for some drugs that don't show any clinical benefit (such as hydroxychloroquine) and some that do (such as dexamethasone and tocilizumab), informing regulatory decisions about Covid-19 medicines in many countries.

As we have continued to transition to our new strategy, and in the context of a pandemic, we have extended funding awards for many of our centres in the UK and our five Africa and Asia programmes. This echoes our approach at an individual level over the past two years, as we put in place policies to enable Wellcome-funded researchers either to return to the clinical front-line or join Covid-19-specific research initiatives.

Outlook

The past two years have seen science come to the fore in public life. The research community and partners across society must build on this influence both to define the most urgent challenges that need to be addressed and to ensure science can play its part to protect and enhance people's health. Having seen health inequities exacerbated in the response to the pandemic, diversity and inclusion must be baked into the way science engages with society.

Wellcome's new strategy is underpinned by diversity and inclusion, culture and equity. We want to promote affordability, sustainability and equity as vital aspects of any approach to solving health challenges. This begins with ourselves – Wellcome still has some way to go to becoming a truly diverse organisation, which is why we have set specific goals to increase the degree to which our workforce represents the places we work and the communities we work with. Similar goals for the people we fund and the research they do will improve the way we fulfil our mission to improve health through science (page 21).

Science

In October 2021, the World Health Organization endorsed broad use of a malaria vaccine for the first time. Development of the vaccine, made by GSK, has taken support from many organisations over many years, including research at the Kemri-Wellcome Trust Research Programme in Kenya, and funding from the Health Innovation Challenge Fund, a partnership between Wellcome and the UK Government.

Wellcome has supported research into malaria since making our first grants to researchers in 1938. Our funding, in the UK as well as in countries where malaria is an endemic infectious disease, has contributed to the cumulative knowledge, tools and experience of working on this disease – a degree of understanding that has, directly or indirectly, fuelled numerous advances in treatment and prevention, including vaccines.

Part of the power of discovery research is that it is not possible to predict what will have the most impact on health in the future. While our support for malaria research has covered plenty of basic biology and parasitology, progress was also informed by Wellcome-funded work in genetics, immunology, the history of medicine, and clinical research. Our support for large trials of artmenisinin-based therapies led to their recommendation as a first-line treatment for malaria in 2006, while other trials demonstrated the effectiveness of insecticide-treated bednets as a way to reduce transmission from mosquitoes to people.

These advances have contributed to a sustained decrease in global malaria over the past 20 years, from almost a million deaths a year to 400,000 in 2019 (the number of deaths rose in 2020 for the first time since 2000, as a result of disruption during the Covid-19 pandemic). This first malaria vaccine should help to save many thousands more lives every year, mostly children under five in Africa. It will not be the last malaria vaccine, either. Indeed, the experience of developing this vaccine will inform future work, not only in vaccines for malaria but more generally, whether that's vaccines for parasitic infections or in fields of research seemingly quite unrelated.

Wellcome's new strategy is founded on maintaining our significant support for discovery research, across any field with the potential to change the way we understand life, health and wellbeing. We look forward to more unanticipated advances, that could go on to improve people's health.

Alongside thousands of funding awards made to individuals through fellowships, studentships and Investigator Awards (and Discovery Awards, new schemes that will replace many of our former funding schemes), we achieve our mission through funding collaborations and centres. Bringing people together at a geographical location or around disciplines and approaches to research opens up different opportunities.

There are 11 Wellcome Centres in the UK that focus on biomedical research, and others for humanities, social science and more translational research. We also have major research programmes in Africa and Asia, the main locations being Kenya, Malawi, South Africa, Thailand and Vietnam. Ordinarily, funding for these centres and programmes would be reviewed every five years. Given the extraordinary circumstances of the pandemic, we have awarded funding extensions for shorter time periods, where appropriate, to avoid adding stress to the staff in these sites while they continue their work, much of which is highly relevant to bringing the pandemic under control.

In addition, the Wellcome Sanger Institute is a world-class centre for genomic sequencing and research. The institute and operates under the name of Genome Research Limited (GRL) and is a charitable subsidiary of Wellcome.

The Wellcome Sanger Institute is involved in some of the most exciting scientific collaborations in the world, from the Global Alliance for Genomics and Health to the Human Cell Atlas, and since last year the Covid-19 Genomics UK consortium (see pages 13 and 50 for more about the institute's work on Covid). Achievements outside the pandemic this year include identifying 14,000 viruses in the human gut – half of which were new to science. In a genetics first, lab-grown mini bile ducts were used to repair human livers. And the institute's first spin-out company, Kymab, was sold to Sanofi for more than $1 billion, of which GRL received £12.9 million.

As with other centres and programmes, the Wellcome Sanger Institute's scheduled review was unable to be completed this year and is now planned for 2022.

In our new strategy, we'll continue to support tools and technologies that have the potential to change fields of research or even open up entirely new ones. For example, this year we have agreed additional funding for both Ensembl, a genome browser that gives researchers simple access to genetic and genomic information, and Diamond Light Source.

Diamond Light Source is the UK's national synchrotron, which Wellcome has supported since it was launched because of the potential to use its high-speed electron beams to investigate molecular structures of proteins and viruses.

Electrifying the life sciences

The structure of a protein determines what it does. When the structure of a protein goes wrong, it can cause diseases such as cystic fibrosis or Alzheimer's. Pioneering work in X-ray crystallography in the 20th century, by Dorothy Hodgkin and others, had to look at proteins in isolation, removed from the cell. Now there are opportunities to use new technologies to watch proteins working inside cells.

Following support for structural biology over many years, Wellcome's Science and Innovations teams partnered with the Rosalind Franklin Institute to develop hardware and software to make this a reality using a technique called cryo-electron tomography. This has the potential to transform structural biology – opening it up to a more diverse range of scientists, enabling atomic-resolution imaging in tissues, and accelerating the search for new medicines.

Knowing the structure of a protein gives researchers insights into what it does (see *Electrifying the life sciences*), and how. It can also help to identify potential targets for new medicines. For example, Diamond Light Source received Wellcome funding in September 2021 as part of the Covid-19 Therapeutics Accelerator's support for the Covid Moonshot Consortium, an international group of scientists looking to develop specific antiviral drugs to help bring the pandemic further under control. Imaging studies at Diamond Light Source, published in April 2021, showed how different antibodies interact with the SARS-CoV-2 virus's spike protein. This led to a detailed map of weak points that could be targeted more specifically.

The future of structural biology looks bright, especially given the announcement this year that protein structures can be accurately predicted by an algorithm called AlphaFold, which is a project of DeepMind Technologies. Wellcome has not funded DeepMind's research in this application of artificial intelligence, although we had funded one of the protein structure databases that were used to train the algorithm. Funding aside, this is an exciting, potentially game-changing opportunity for researchers working in many different fields and on many different health challenges.

Another aspect of Wellcome support is the way our in-house experts seek out new opportunities to connect people across traditional research boundaries, across the world. This year, for example, we have worked with the research community to investigate how we can better support collaborations in a number of areas, including pain research. We held online workshops to drive innovation and catalyse new multidisciplinary research. Four new groups were set up as a result, drawing on different forms of expertise to better understand the role of the brain in experiencing pain.

Given the context of the pandemic, other forms of external engagement had to be streamlined this year. In-person meetings for Wellcome-funded researchers were put on hold last year, and we decided not to reinstate them yet. And while the organisation was going through a substantial redesign, the Science team focused on delivering core activities and developing new funding schemes as part of Wellcome's new strategy. Communicating with researchers about new funding opportunities will increase as we settle into new ways of achieving our mission of supporting research to improve health.

Innovations

Monoclonal antibodies started out as a research tool in immunology, developed in the UK in the 1970s. Today, they are also being used to create medicines, especially for cancer but increasingly in other areas such as infectious diseases. They are one of the fastest-growing segments in biomedical research – many have been rapidly developed and tested as potential treatments for Covid-19 in the past two years.

Despite global need, however, monoclonal antibody therapeutics are far from globally accessible – they are among the world's most expensive treatments, in fact. In August 2020, Wellcome and IAVI published a report on monoclonal antibodies, calling for increased awareness of the potential of monoclonal antibodies, expanded availability, application of innovations to decrease costs, and creation of new business models that promote access. Monoclonal antibodies may yet be able to play a role in bringing infectious diseases under control, but not unless affordability is baked into the development process.

Making this argument is one way in which Wellcome's Innovations team has supported translational research, R&D and product development in recent years. That experience and expertise is already a vital part in our work to address the three urgent health challenges in our new strategy. For example, a new project to understand the experiences of people with psychosis in Ethiopia (see *Psychosis in context*) reflects our commitment to work with the communities most affected by the health challenges we're looking to solve.

Psychosis in context

Wellcome has funded a project called Studying the Contexts in recent Onset Psychoses in Ethiopia to develop interventions to improve outcomes (the SCOPE study). Its overall aim is to produce high-quality contextual evidence around the aetiology, presentation, social context, associated physical health conditions and early course of psychosis, and to use this information to design innovations in detection and treatment. Although findings will be applicable to the Ethiopian population, the findings may be relevant to other communities around the world.

Collaborators on SCOPE include representatives from the Mental Health Service User Association of Ethiopia and the Federal Ministry of Health of Ethiopia, whose involvement will support uptake of findings.

Wellcome's Innovations team has directly supported preclinical development and early clinical trials of several potential new medical products. We ended this year with a portfolio of funded projects that included 72 products in clinical evaluation, and 23 interventions launched or adopted into care pathways. The development of these products and interventions has involved the participation of more than 8 million people (2020: 5 million) – mostly through large trials of public health interventions such as the World Mosquito Program, which releases mosquitoes that cannot transmit infections like dengue fever. It has reduced the number of infections by as much as 75% in some communities where trials have been run directly, improving people's health.

Another key part of our work is building networks, such as our Hub for Innovative Technologies for Neglected Tropical Diseases (HIT NTD). We set up an agreement this year that enables our partners in this network to collaborate, share data and work together more closely. This will share knowledge faster than publication, and minimise duplicated efforts. Our aim is that the network accelerates the process of developing life-saving treatments for neglected tropical diseases such as dengue, which are most common in lower-income countries and communities, meaning little incentive for commercial investment.

Culture & Society

Wellcome's perspective on health and how to improve it spans science, innovation and society. Our Culture and Society division encompassed a range of intersections between science and culture, from humanities and social sciences research to Wellcome Collection, our free museum and library in central London, UK.

Research in the humanities and social science will still be funded through our new Discovery Research schemes, and where needed to help address the three urgent health challenges in our strategy. In December 2020, we extended funding of four Wellcome Centres until 2024. They are:

- Wellcome Centre for Ethics and Humanities, University of Oxford
- Wellcome Centre for the Cultures and Environments of Health, University of Exeter
- Centre for Biomedicine, Self and Society, University of Edinburgh
- Institute for Medical Humanities, University of Durham

A society that is engaged with its researchers is more likely to contribute to and benefit from the research they do. Wellcome's support for activities to engage the public with research has, over the past 25 years or so, revolutionised opportunities and expectations for scientists to collaborate with artists, educators and more. In recent years, we sought to bring more focus to these activities in the context of our mission.

Wellcome-funded researchers will continue to have opportunities to enrich their grants with awards for public engagement activities. And we will be drawing on our experience and expertise to engage people so that our work – and that of the people we fund – is trustworthy and relevant to the communities most affected by the urgent health challenges we've taken on.

One aspect of our strategy is recognising the intersections between the health challenges. This is reflected in the next residents in The Hub, who will be looking at the relationship between mental health and climate change (see *Land Body Ecologies*).

8 million participants in R&D

Land Body Ecologies.
Mau Forest, Kenya.

Image © Jason Taylor

Land Body Ecologies

The Hub is a physical space in Wellcome's London buildings for collaborations across and between fields of science, research, the arts and more. This year, our fourth residents – Land Body Ecologies – moved in to research the emotional and existential distress caused by environmental change. Human rights activists, expert communities, mental health researchers, scientists and artists will come together to explore and understand how the mental health of marginalised communities is affected by changes in the ecosystem. Their two-year residency follows in the footsteps of successful collaborations around work and rest, dementia, and learning disabilities.

Wellcome Collection

Wellcome Collection reopened its doors on 7 October 2020 following the UK's extended lockdown. The programme of activities took its cue from the question "What does it mean to be human, now?", exploring the intertwined connections between the individual, societal and global health and asking how Covid-19 was shaping our perceptions of the fault lines between them. A highlight was the Touch Test, a study in partnership with the BBC exploring people's changing attitudes towards touch in a time of social distancing. As UK cases of Covid began to rise again in late 2020, Wellcome Collection closed its doors for a second time, until May 2021.

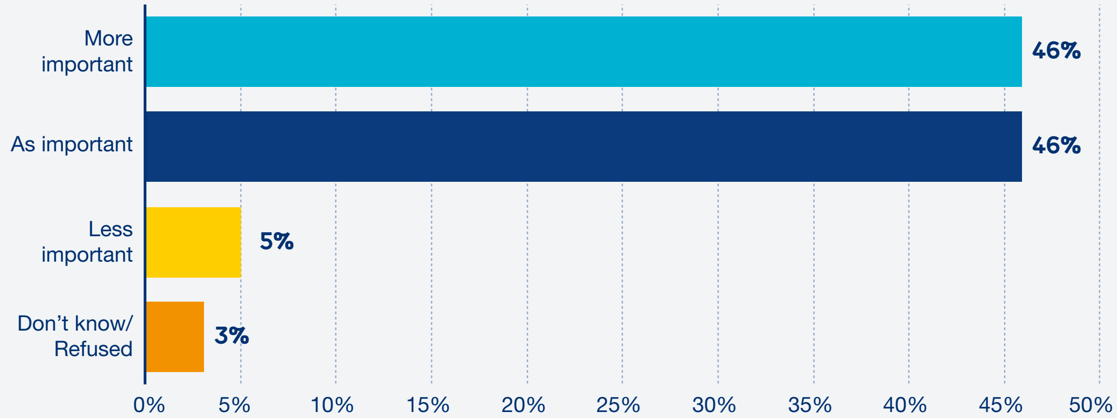
In July 2021 we opened On Happiness, a season bringing together voices from across the cultural, scientific and spiritual fields to reflect on the elusive subject of happy feelings through two exhibitions 'Joy' and 'Tranquility' and a programme of events. Wellcome Collection continues to be entirely free to visitors, and we have used ticketing to limit numbers during the pandemic. We closed our shop and restaurant, stopped running tours, and all events have been online only. From an understandably low start, visitor numbers steadily increased and we made more tickets available as restrictions eased. The situation remains changeable and uncertain – we are grateful to our staff for their continuing commitment.

Lockdowns and closures did not stop work behind the scenes at Wellcome Collection. For example, we are digitising the images in the collection and hit a milestone of 2 million digitised images in summer 2021. In 2014, we uploaded 100,000 images to Wikipedia, and have since recorded 1.5 billion views of our content there. On our own website, we had more than 2.75 million online visitors this year alone.

On 26 May 2021, Wellcome Collection announced a new Advisory Committee to provide strategic guidance. In the summer, we began the early stages towards developing a strategy for the next phase of Wellcome Collection's work. This strategic development will continue next year.

Around 9 in 10 people worldwide believe mental health is as important or more important than physical health

Over 119,000 people worldwide were asked:
Thinking about a person's overall health, do you think mental health is more important, as important, or less important than physical health for a person's wellbeing?



Source: Wellcome Global Monitor 2020

Wellcome Global Monitor

The second wave of the Wellcome Global Monitor, the world's largest survey of how people across more than 100 countries think and feel about science and major health challenges, was conducted in 2020. The pandemic and public health restrictions meant most interviews were done by telephone, a difference from the first wave in 2018 which included face-to-face interviews. The questions this year included focused sections on mental health, Covid-19, and trust in science.

The mental health findings were published in October 2021, showing 92% of respondents felt mental health was at least as important as physical health to their overall wellbeing (see table above). But people were broadly less certain about the role of science in mental health – only 31% thought science could help a lot to address anxiety and depression, compared with around 50% for cancer and infectious diseases. We hope our work on the mental health challenge will open up a new era for mental health sciences that leads to better solutions from research (see page 20).

Priority areas

Wellcome's priority areas complemented our core activities with focused efforts on a number of distinct opportunities to transform an aspect of health or research. Each had a dedicated team, with a vision and objectives, and they were time-limited – usually to five or ten years, depending on progress.

Priority areas led to many achievements – detailed below – and showed us that Wellcome could bring lots of activities together to meet ambitious goals. We also learned, however, that having too many separate areas of focus meant we were not making the most of our independence, scale and ability to partner with others. So this integrated approach remains fundamental to our new strategy for supporting science to solve urgent health challenges, but we are focusing on just three challenges alongside our continuing support for discovery research.

Drug-resistant infections

In November 2020, Wellcome published a report on the global response to antimicrobial resistance, identifying successes and gaps that remain to be addressed. The report also looked at the impact of the Covid-19 pandemic on drug-resistant infections, finding positive and negative effects on the development of drug resistance. The pandemic has pushed drug-resistant infections down the political agenda, but it remains an important aspect within the greater challenge of infectious diseases.

As with all of the priority areas, Wellcome achieves its goals through partnerships. For example, in 2017 we committed around £120 million to support CARB-X in its work on the development of new antibiotics. CARB-X now has an active portfolio of 55 products, and one has already reached the market. This year, CARB-X launched the first comprehensive guide to promoting stewardship and access within drug development, sharing what it has learned with the wider community.

Wellcome committed £50 million for another partnership this year, the Antimicrobial Resistance (AMR) Action Fund, which was launched by industry partners to support late-stage pipeline development of new drugs. Having helped create and shape the AMR Action Fund, Wellcome has a seat on the Board of Directors and negotiated a positive stance on access to products the fund will support.

Vaccines
More than half of the Vaccines Priority Area team's time this year continued to support the response to Covid-19. Prior work helping to establish the Coalition for Epidemic Preparedness Innovations (CEPI) has paid off in terms of the rapid development of vaccines: CEPI funded the AstraZeneca / University of Oxford viral vector vaccine, and made a small early investment in Moderna's mRNA vaccine. And Covax, a mechanism for distributing Covid vaccines that is co-led by CEPI, had delivered over 600 million doses to over 140 participating countries by December 2021.

Another aspect of our Vaccines work that has helped in the pandemic response is the development of human infection studies, which involve safely infecting participants to test potential new vaccines. Initial work on an ethical framework for such trials enabled the rapid introduction of guidance for Covid-19 human infection studies in 2020. Wellcome has also funded seven sites for human infection studies, including a site in Malawi where a trial for pneumococcus recruited its first participants in April 2021.

A key lesson from four years of the Vaccines priority area is that Wellcome is well-placed to 'translate' between research, policy and practice. This is a role we can continue to play in pursuit of the goals of our new strategy.

Our Planet, Our Health
The Our Planet, Our Health team has been supporting the transition and development of a new strategy for Wellcome's work on climate and health.

In January 2021, the 2020 report of the Wellcome-funded Lancet Countdown on health and climate change was published. It is an independent assessment of progress towards the goals of the 2015 Paris Agreement, and was among the top ten climate research publications featured in the media this year.

We finished the year preparing for COP26 in November 2021. It was the first significant presence for Wellcome at an international climate change event , and our delegation included Alan Dangour, recently appointed as Wellcome's first Director of Climate and Health. We focused on establishing climate change as a health issue, and looking out for future partnerships that may help us achieve our goals in the climate and health challenge.

Mental health
The Mental health priority area began implementation in January 2020. Work since then laid the foundations for the transition to Wellcome's new strategy, which identifies mental health as one of the urgent health challenges we will be taking on.

Wellcome has long funded cutting-edge research to discover how brain, body and environment interact in mental health, and this continues under our new strategy. What's changing is more of a focus on understanding how existing and new interventions work, unpicking the 'active ingredients' responsible for positive impacts for people experiencing mental health problems.

Since 2020, we have been commissioning reviews into the evidence for a wide range of possible active ingredients – these are not types of therapy but the elements within different approaches that are essential to effectiveness. We published a report summarising the findings from these reviews in October 2021, but it is only the start of what we will push to become a more standard approach across all mental health sciences.

Our vision is a world in which no one is held back by mental health problems. To get there, we need the many different aspects of mental health research and experience to come together and apply their combined strengths in developing more personalised interventions to prevent, manage and solve mental health problems.

Diversity and inclusion
At Wellcome, we want as many people as possible to contribute to – and benefit from – science's potential to change the world. So while diversity and inclusion underpin our new strategy, we have also been developing a Diversity & Inclusion strategy to help make sure we continue to make progress. The strategy was published in March 2021, and was followed in June by the publication of our new anti-racism guidelines and toolkit (see page 57).

The D&I strategy sets three ambitious targets to reach by 2031:

- **Inclusive employer**: Wellcome staff are representative of the places we work, able to be themselves, and supported to be their best (see pages 56-58)
- **Inclusive funder**: people funded by Wellcome will be more representative of the global population, able to be themselves, and supported to be their best
- **Equal health outcomes**: all Wellcome-funded research will be inclusive in both design and practice, to help drive better science and more equitable health solutions

Each goal has targets to meet along the way, such as application and success rates showing no one is being unfairly advantaged or disadvantaged in accessing Wellcome funding by 2026.

In terms of the research we fund, our 2026 targets include co-developing key principles of inclusive research design and practice – these will then be used in grant-funding and directly commissioned research, and to support researchers in their work. We will also support the growth of the Equality, Diversity and Inclusion in Science and Health (EDIS) collaboration, members of which include Wellcome and other research funders, academic institutions, scientific societies and companies. EDIS will lead the way to more inclusive research design across the science and health sector.

The Diversity and inclusion priority area team's work has been integrated in our People team, and now encompasses culture, equity, diversity and inclusion.

Data for science and health
Launched as a priority area in 2019, Data for science and health has updated its approach as it moves into our new Research Programmes team, supporting work across Discovery Research and the three health challenges in our new strategy. The team will help look for opportunities for using software tools, digital standards and policies to achieve our goals.

Highlights from this year include support for OpenSAFELY, which has created infrastructure for researchers to access secure health-record information relating to Covid-19. The first analysis to use it identified which patients were at most risk of death in hospital due to Covid-19. It was an order of magnitude more accurate than any previous such analysis.

Since 2016, Understanding Patient Data has done much to improve trust in practice. They have created resources, as well as presenting, advising and, where appropriate, challenging partners in the UK Parliament, the NHS and the research community on the trustworthy use of patient data. A more focused strategy means Wellcome will not support Understanding Patient Data beyond 2022.

Snakebites
The Snakebites priority area will continue as planned until 2026, aiming to make treatments for snakebites safe, effective and accessible.

Snakebites cause more than 120,000 deaths a year, and life-changing disabilities for a further 400,000 people. The only medicine for treating snakebites is made by injecting horses with snake venom – a 19th-century technique with no common production, safety or efficacy standards.

This year, the team made seven grants to help stimulate innovation in the development of new treatments, as part of their work to fund the identification, research and development of the next generation of snakebite technologies.

Paul Rowley (left) and Nick Casewell extracting venom from a rhinoceros viper (*Bitis nasicornis*).

Nick Ballón
© Wellcome Trust

Research ecosystems in Africa and Asia

This priority area formally ended in May 2020, and its programmes of activity have been winding down this year. Its achievements include a number of partnerships and support for organisations in Africa and Asia that will contribute to the development of vibrant, self-sustaining research ecosystems in which knowledge is generated to improve health.

Central to Wellcome's new strategy is the research that we will fund in low- and middle-income countries (as defined by the OECD's list of official development assistance recipients). That includes discovery research and other research required to address the health challenges in our strategy. Many of the communities most affected by these health challenges are in Africa and Asia, and our success depends on strong and sustainable research environments in those regions.

Findings from the work of this team continue to be published, informing actions on research leadership, research management, and working in partnerships with national and regional research organisations. Some of our international partnerships have raised challenges over the past few years, particularly in relation to different experiences of governance. We can take many lessons from this priority area to manage such challenges in future activities and ensure our funding is making the greatest possible contribution to improving health for everyone.

Science education

A central tenet of our work in UK science education has been that teachers should be entitled to 35 hours of continuing professional development (CPD) each year. This recommendation has now been widely adopted in the education sector, and has helped to unite stakeholders to drive change in the system.

Explorify is an online product specifically developed by the Science education priority area to support primary school staff who teach science. Over 75,000 teachers have used Explorify in the past five years, and independent evaluation shows one-third reporting better quality of teaching, and 40% increasing the amount of science teaching they do as a result.

Wellcome is leaving the education sector as a result of our new strategy. Explorify is now run by STEM Learning (an organisation Wellcome has funded over several years, including to support online CPD for teachers during lockdowns in response to the Covid-19 pandemic), in partnership with the Primary Science Teaching Trust, and supported by the Ogden Trust and the Glasgow Science Centre. Other projects will stop or be transitioned to other partners, including pilot studies for science education interventions such as one-to-one mentoring, which will transfer to the Education Endowment Foundation.

Review of Investment Activities

Figure 1
Total portfolio net returns (blended £/US$) Period to 30 September 2021

	Annualised return in £ (%)		
	Nominal	UK CPI	Real
One year*	34.5	1.5	33.0
Three years	17.3	1.5	15.8
Five years	16.4	1.9	14.5
Ten years	15.2	1.8	13.4
Twenty years	10.5	2.1	8.4
Since Oct 1985	14.2	2.7	11.5

	Cumulative return in £ (%)		
	Nominal	UK CPI	Real
	-	-	-
Three years	62	5	57
Five years	114	10	104
Ten years	312	19	293
Twenty years	635	50	585
Since Oct 1985	11,820	157	11,663

	Annualised return in US$ (%)		
	Nominal	US CPI	Real
One year*	40.3	3.3	37.0
Three years	18.6	2.2	16.4
Five years	17.3	2.2	15.1
Ten years	13.5	1.8	11.7
Since Oct 2009	12.1	1.9	10.2

	Annualised return in blended currency (%)		
	Nominal	UK/US CPI	Real
One year*	37.4	2.4	35.0
Three years	18.1	1.9	16.2
Five years	17.0	2.1	14.9
Ten years	14.5	1.8	12.7
Since Oct 2009	13.0	2.0	11.0

Portfolio net returns measured in £ only until 30 September 2009. Decision to measure in blended £/US$ used from 1 October 2009 recognising the global nature of our portfolio (see Figures 11 & 12) and the need to maintain global purchasing power. However, Wellcome's functional currency remains Sterling.

The value of the endowment is measured at fair value. Net returns include impact of all external management fees/expenses. Performance fees are included for hedge funds, private equity and property but for public equity they are only included from FY 2018.

*One year nominal returns for 2020 were 12.3% (£), 17.8% (US$), 15.2% (blended £/US$).

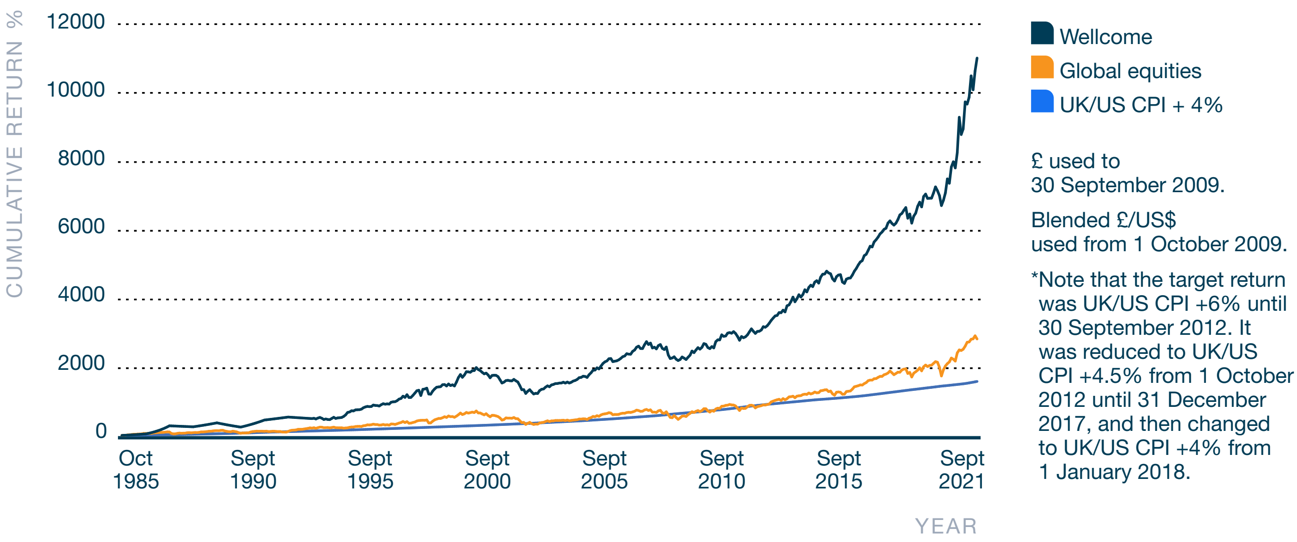
Summary

2020/21 saw our strongest investment returns since 1995, when Wellcome plc was sold to Glaxo. Financial assets were supported by ultra-low interest rates, quantitative easing (QE), expansionary fiscal policy, and a revival in sentiment as economies re-opened. Covid-19 dominated the headlines and there are certainly still plenty of risks in the absence of a more equitable global approach to vaccines, therapeutics, and resources to combat the pandemic (see page 5). However, most financial markets shrugged off such concerns during our financial year and once again rewarded those who stayed invested.

The portfolio returned +34.5% in Sterling (Figure 1) (2020: +12.3%), and we ended the year with net assets of £38.2 billion (Figure 6) (2020: £29.1 billion). After taking account of £1 billion in charitable cash expenditure over the year, this is equivalent to our largest ever monetary gain of about £10 billion gross of liabilities. Sterling returns were held back slightly by currency strength – in USD terms the portfolio was up +40.3% (2020: +17.8%).

Over the past ten years, the portfolio has delivered a real return after inflation of +293% in Sterling (+13.4% a year in real terms or +15.2% a year in nominal terms). The whole of this period has seen extraordinarily low interest rates and strong support for asset markets from Central Banks. The market focus has now shifted to the path of inflation – low levels of inflation are typically positive for risk assets, but historically, higher rates of inflation have been damaging to real returns.

Figure 2
Total portfolio cumulative net returns since 1 October 1985 (%)



Overview

Global equity markets were strong for most of our financial year with few meaningful periods of weakness and no moves down of 10% or more, the generally accepted definition of a correction. There were several spikes in volatility, for example in late October 2020 in the run up to the US presidential elections and in January 2021 when Covid-19 cases increased sharply in Europe and the US. However, monetary and fiscal policies put in place to support the real economy continued to underpin financial markets, producing a bumper year for most asset prices.

Evidence of economic improvements mounted during the year with rapid recoveries in headline economic growth, labour markets tightening, and consumer and business sentiment improving. By the end of June, the US economy had regained and exceeded the pre-Covid-19 peak. However, demand recovery and supply bottlenecks have led to sharp increases in many prices. By the end of the period, the main market concern had shifted from potential economic depression brought on by Covid-19, to resurgent inflation sparked by the policy response.

Central banks have mostly continued to argue that inflation is a transitory phenomenon, but markets are now pricing in sharply higher interest rates. Bond yields rose in expectation of higher fiscal spending after the Democrats took control of the US government, receded during the summer and then rose again as inflation climbed. US 10-year yields more than doubled during our financial year, and UK 10-year yields more than quadrupled, albeit from extremely low levels. The move might have been much more dramatic in the absence of central bank bond buying through QE.

As the global economy recovered strongly and commodity prices rose, sectors geared to cyclical recovery in activity performed well relative to growth stocks in listed markets. The whole market was buoyed by exceptionally strong corporate earnings growth, which made high levels of market valuation more palatable. Ultra-low interest rates, QE and strong earnings growth made for a powerful tailwind for equities.

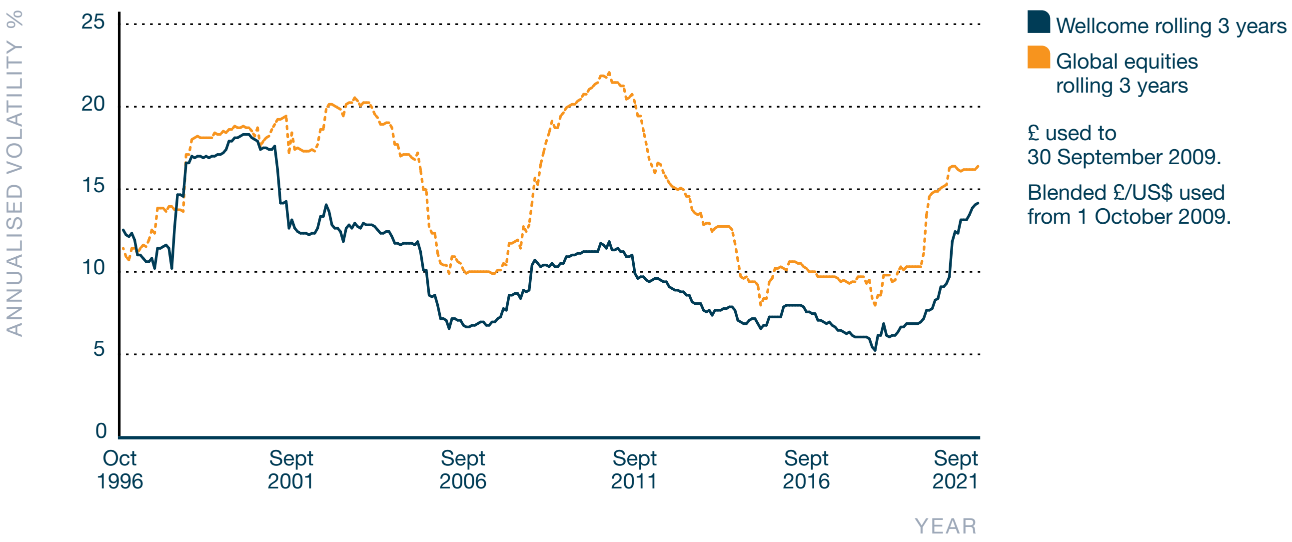
The +34% gain in the portfolio was helped by good performances from most of our assets. Our £17.4 billion portfolio of public equities had a good year in absolute terms, returning +16.5% (2020: +9.9%). However, this was well below global equity markets, which rose by +22.7%. This was because our public portfolio has relatively little exposure to cyclical value stocks, which led the market, while our public stocks in China, held both directly and through outsourced managers, had a bad year.

Our £4.2 billion hedge fund portfolio also had a solid year, delivering a return of +11.2% (2020: +17.1%). In a normal year, this would be regarded as a very strong return from a portfolio of hedge funds. In the context of this year's high-octane market moves, it seems relatively pedestrian, albeit not surprising given the relatively low equity beta of this part of the portfolio.

Private equity (PE) has been by far the best performing part of the portfolio this year (page 30), with an overall return of +72.6% (2020: +12.7%). We have been increasing our exposure to PE in recent years, so it is gratifying to see it pay off in this way. All parts of the PE portfolio had positive results, but the stand-out performers were venture capital and our directly held PE positions, where we saw exceptional returns and cash realisations. Cash flows from the PE portfolio were strongly positive.

Total assets in our property portfolio have grown to £2.9 billion from £1.9 billion. Much of this increase was due to our

Figure 3
Volatility (standard deviation) of returns (%)



£0.5 billion purchase of Urban&Civic, the UK's leading strategic land development company, which we completed in January (see page 31). This was the first time we have taken a public company private. We have also seen valuation uplifts across our property portfolio as the UK economy has recovered, leading to total returns of +16% (2020: +9.6%) from the property composite. The biggest contributor was our agricultural portfolio after we achieved outline planning permission to expand our genome campus at Hinxton in Cambridgeshire.

In our overlay book, we refreshed our bond liabilities by repaying debt issued in 2009 and issuing new 50-year debt. We are grateful to all our bondholders for their support in funding our mission. There was a large mark to market gain on our total bond liabilities due to rising market interest rates, but these liabilities are still marked well above nominal value, so if rates rise from here there could be further non-cash fair value gains.

We did not use any equity options or futures during the year. We have maintained higher than normal cash levels to provide comfort to stakeholders over a difficult period and to take advantage of opportunities (such as Urban&Civic) produced by volatility in markets. In our FX book, we realised profits on a series of hedges into Sterling from US Dollar, Euro and Yen, given the strength of Sterling. Our net Sterling exposure is at its lowest ever level following the removal of the minimum Sterling limit during the year.

Outlook

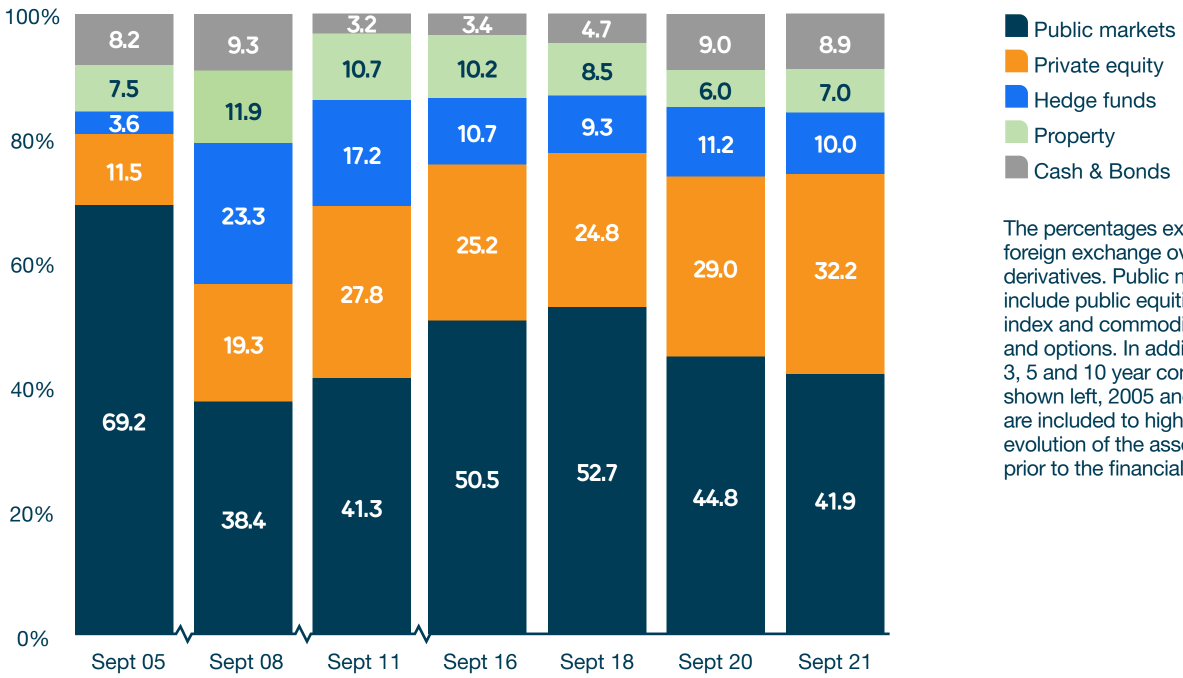
Strong market returns in 2020/21 have been driven by macroeconomic and policy tailwinds. However, our returns have been turbocharged by the realisation of value from a series of private investments made over the past decade and more. Much of our focus now is on ensuring that there are similar seeds planted to enable us to maintain a level of returns sufficient to support our mission, even if the economic and market environment becomes more difficult.

The risks of a government policy mistake as they try to navigate the post-pandemic world are high. Debt is at unprecedented peacetime levels in Western Europe and North America, yet societal pressure is driving fiscal spending higher. The route out of QE and artificially low interest rates is highly uncertain, yet inflationary pressure is building, putting pressure on central banks to act if they are to maintain their independence. Geopolitical tensions, especially between China and US, are making the world seem less globalised just when a coordinated response to a global crisis is needed more than ever.

We cannot control the macro environment but we can respond to it. To fund Wellcome's mission, we need to maximise the probability of benefiting from secular tailwinds, such as the continuing digital revolution, the empowerment of the consumer in lower-income countries or the decarbonisation of our energy systems. We aim to do this in a sustainable way, hence our recent net zero pledge (see page 33).

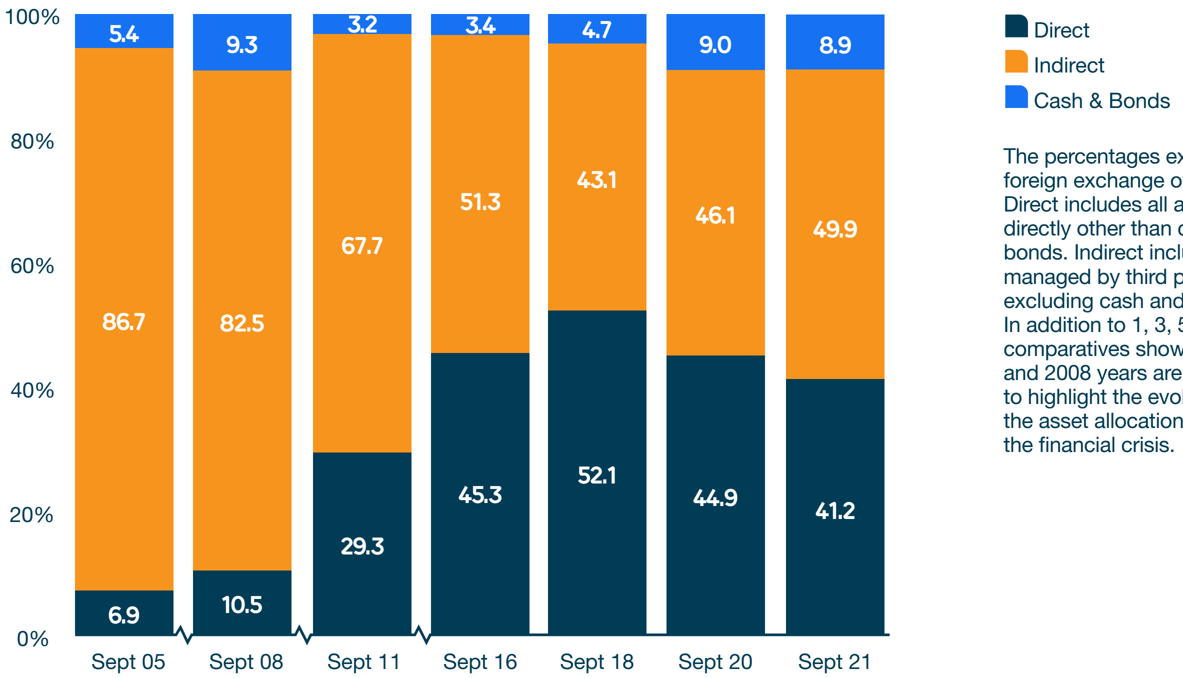
The response to the Covid-19 crisis has driven a liquidity fuelled feeding frenzy in many asset classes that has borrowed returns from future years. If inflation proves to be persistent, it will make it harder to generate meaningful positive real returns. Stock market valuations tend to be lower in times of higher inflation. If valuations fall, so will share prices unless corporate profits continue to increase their share of GDP, which seems unlikely. At some point therefore, the market tailwind could well become a headwind. As long-term investors, we can cope with volatility but, to give us options in a more volatile world, our cash levels are higher than normal. We have also been looking for suitable investments in assets such as property that tend to be good inflation hedges.

Figure 4
Evolution of asset allocation (%)



The percentages exclude foreign exchange overlays and derivatives. Public markets include public equities, equity index and commodity futures and options. In addition to 1, 3, 5 and 10 year comparatives shown left, 2005 and 2008 years are included to highlight the evolution of the asset allocation prior to the financial crisis.

Figure 5
Evolution of asset allocation, directly and indirectly managed (%)



The percentages exclude foreign exchange overlays. Direct includes all assets owned directly other than cash and bonds. Indirect includes assets managed by third parties, excluding cash and bonds. In addition to 1, 3, 5 and 10 year comparatives shown left, 2005 and 2008 years are included to highlight the evolution of the asset allocation prior to the financial crisis.

Figure 6
Investment asset allocation as at 30 September 2021

	2021 £m	2020 £m	2021 %	2020 %	One year return to Sept 2021 %	One year return to Sept 2020 %
Total public equities	**17,414**	**14,603**	**41.9**	**44.8**	**16.5**	9.9
Indirectly managed public equity	**5,016**	**3,431**	**12.1**	**10.5**		
Global	2,872	1,634	6.9	5.0		
Developed markets	1,505	1,115	3.6	3.4		
Growth markets	639	682	1.6	2.1		
Directly managed public equity	**12,398**	**11,172**	**29.8**	**34.3**		
Global compounders basket[1]	11,215	-	27.0	-	12.4	
Other	1,183	460	2.8	1.4		
Hedge funds	**4,161**	**3,653**	**10.0**	**11.2**	**11.2**	17.1
Equity long/short	2,450	2,377	5.9	7.3	12.7	23.4
Directional hedge funds	9	11	-	-	30.2	-33.4
Absolute return hedge funds	1,702	1,265	4.1	3.9	8.3	7.4
Cash & Bonds	**3,714**	**2,915**	**8.9**	**9.0**		
Private equity	**13,384**	**9,449**	**32.2**	**29.0**	**72.6**	12.7
Buyout funds	3,296	2,711	7.9	8.3	30.5	
Multi asset partnerships	715	877	1.7	2.7	7.7	-0.2
Venture funds	7,543	4,342	18.2	13.3	79.6	28.2
Direct Private	210	252	0.5	0.8	370.6	-5.1
Private co-investments	1,620	1,267	3.9	3.9	182.4	16.6
Property	**2,889**	**1,941**	**7.0**	**6.0**	**16.1**	9.6
Net overlay assets[2]	**(11)**	**(3)**	**-**	**-**		
Total assets	**41,551**	**32,558**			**29.2**	13.0
Bond liabilities	(3,368)	(3,471)				
Total liabilities	**(3,368)**	**(3,471)**				
Total assets net of all liabilities	**38,183**	**29,087**			**34.5**	12.3

Performance figures provided from custodian where available.
Asset class performance figures are not additive.

1. The Global compounders basket was established at the start of this financial year as the successor to the three internally managed baskets which were shown in the 2020 Annual Report: the Mega cap basket (2020: £7,185 million), Optionality basket (2020: £916 million) and Growth basket (2020: £2,611 million).

2. Since September 2017, the equity and commodity derivatives have been shown separately as notional exposures, with futures offsets included in other liabilities. Net overlay assets comprise foreign exchange overlays and the related cash collateral amounts due to counterparties.

A reconciliation of the 'Total assets net of all liabilities' to the amount as reported in the Consolidated Balance Sheet is included in note 15(g).

Figure 7
Public equity net returns (%) Period to 30 September 2021

	Annualised return in £ (%)				
	1 year	3 years	5 years	10 years	Since Sept 2008
Global	17.8	11.2	13.0	14.2	10.2
Developed world	15.7	3.8	11.0	14.8	11.2
Growth markets	-5.2	8.5	7.4	8.7	5.6
Total public equities	**16.5**	**11.0**	**12.5**	**13.7**	**11.0**
Direct public equities by strategy					
Global Compounders Basket	12.4				
MSCI AC World	22.7	11.9	12.9	14.1	11.1

In addition to 1, 3, 5 and 10 year comparatives shown above, returns since Sept 2008 are included to highlight the performance since a large portion of the public equity exposure has been directly managed (see Figure 5 for Evolution of asset allocation, directly and indirectly managed).

Figure 8
Top ten direct public equity holdings As at 30 September 2021

Rank 2021	Rank 2020		Total Value £m	Total Value US$m	Return on Cost GBP (inception dates differ)
1	-	DoorDash	803	1083	1.4x
2	3	Microsoft	609	821	8.7x
3	12	Alphabet	594	801	9.6x
4	2	Vonovia	508	685	2.8x
5	8	Nestle	482	650	2.2x
6	4	Apple	462	623	17.4x
7	10	Amazon	439	592	1.7x
8	15	Facebook	378	509	5.0x
9	21	HDFC Corp	342	461	1.7x
10	13	Berkshire Hathaway	340	459	3.2x

Internally calculated RoCs to September 2021 which do not include performance while held as private companies, where applicable.

Public Equity

During the 2020/21 financial year, global equity markets (MSCI AC World) delivered a return of +22.7% in Sterling or +28.0% in US Dollars. There was a broad-based rally in equities, with most developed markets delivering double digit total returns and major indices in the US, UK and the EU all showing total returns above +20% in Sterling.

Returns in emerging markets were more mixed. Emerging market equities as a whole performed reasonably well, with a +13.7% total return in Sterling (MSCI EMF Index). However, China-related equities have had a tough year as increasing regulatory scrutiny of technology companies and geopolitical tensions scared off many investors. While domestic Chinese markets limped to small positive returns, Chinese companies listed overseas (including those we hold) saw sharp price falls. The whole Hong Kong market was down during the year, despite the favourable global backdrop. There is arguably considerable value in these companies, but also heightened risk.

The return on our public equity portfolio was strong in absolute terms at +16.5% (2020: +9.9%), but well behind the global index (Figure 7). Our focus is primarily on long-term absolute returns as this is what funds the mission – our public equity portfolio has returned a healthy +11.0% per annum since September 2008 (when we started owning stocks directly, rather than outsourcing the entire portfolio) (Figure 7).

Equity market volatility has not revisited the peaks seen in early 2020, but there have been several spikes and it remains elevated compared to pre-pandemic levels (Figure 3). Trailing 3-year volatility remains above levels seen during the Global Financial Crisis. Our portfolio volatility is below that of global equities, but this is largely because more than half our portfolio is not marked to market. Stock prices in public markets reflect stresses on companies immediately, but we are under no illusions that similar stresses do not also exist in private companies. We expect elevated volatility to persist, especially if monetary policy becomes less accommodative.

The £11.2 billion internally managed Global compounders basket (GCB) delivered a solid absolute performance of +12.4%, albeit underperforming global equities. This is a portfolio of very large international companies that we judge to be well positioned to benefit from secular tailwinds. It was established at the start of this financial year as the successor to three internally managed baskets and combines almost all our directly held public assets into one portfolio, including both developed and emerging market exposure. We aim to deliver attractive long-term absolute returns with much better liquidity than the broader market.

The concentration of the portfolio into less than 40 positions inevitably means performance will diverge significantly from broad indices, as it did during this year. However, holding large long-term positions enables us to pursue active engagement with these companies to ensure that they have and maintain a suitable societal licence to operate. Further details of our approach to responsible investment are available at wellcome.org.

Outside of the GCB, there are two other key internally managed positions. DoorDash, a US-based food delivery business, which came into our public portfolio as a distribution from a successful co-investment after its IPO, and Syncona, the UK-listed life sciences venture capital company founded by Wellcome in 2012. We had widely different experiences from these two investments this year. DoorDash performed very strongly, doubling in price following its listing in December. It is now our largest public equity position, despite us having reduced our holding to keep the position size manageable. Syncona had a very disappointing year, with the share price falling by nearly a third as the market struggled to value the long-term prospects of the company's early stage investments.

Most of our £5.0 billion book of outsourced equity mandates had a good year. The standout performance came from our UK small cap value manager, which returned +107.2% as their style and geographical characteristics came firmly back into favour. At the other end of the spectrum, our Asia-Pacific manager had a -4.1% negative return as market sentiment turned against their China heavy portfolio. We take the long view of these relationships. Our longest standing relationship (Brown Advisory, a dedicated US manager) passed the 25-year anniversary this year, during which time they have outperformed their benchmark by an annualised +2.3%, equivalent to a cumulative excess return of +906%.

While the value of our public equity holdings is up +£2.8 billion compared to the end of last year, as a proportion of total assets our exposure has been reduced (Figure 4) due to the strong performance of our private positions. DoorDash was transferred into the public equity portfolio but we sold a larger combined amount of direct positions into strength, reducing the directly managed portion of the overall portfolio as a side-effect (Figure 5). In the indirect portfolio, we funded one new outsourced global manager.

Figure 9a
Illiquid asset net returns (£) (%) Period to 30 September 2021

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Directional	30.2	-1.0	2.6	5.8
Absolute return	8.3	8.4	7.3	7.1
Equity long/short	12.7	14.7	13.5	13.4
Total hedge funds	**11.2**	**12.5**	**11.5**	**11.1**
Buyout funds	30.5	12.3	12.9	13.7
Multi-asset partnerships	7.7	10.1	4.4	
Venture funds	79.6	43.0	32.5	27.8
Direct Private	370.6	45.5	25.8	
Private co-investments	182.4	55.7	44.5	
Total private equity funds	**72.6**	**31.0**	**24.3**	
Non-residential property	24.1	15.8	14.4	7.7
Residential property	4.4	0.1	-0.2	6.4
Property	**16.1**	**8.9**	**7.4**	**9.0**
MSCI AC World	22.7	11.9	12.9	14.1

Figure 9b
Illiquid asset net returns (US$) (%) Period to 30 September 2021

	Annualised return in US$ (%)			
	1 year	3 years	5 years	10 years
Directional	35.8	0.1	3.4	4.3
Absolute return	13.0	9.7	8.1	5.6
Equity long/short	17.6	16.0	14.4	11.7
Total hedge funds	**16.0**	**13.7**	**12.3**	**9.5**
Buyout funds	36.1	13.0	13.4	11.9
Multi-asset partnerships	12.3	11.3	5.2	
Venture funds	87.3	44.6	33.5	26.0
Direct Private	390.8	47.1	26.7	
Private co-investments	194.5	57.4	45.6	
Total private equity funds	**80.0**	**32.5**	**25.2**	
Non-residential property	29.4	17.1	15.2	6.1
Residential property	8.9	1.3	0.5	4.9
Property	**21.1**	**10.1**	**8.2**	**7.4**
MSCI AC World	28.0	13.1	13.8	12.5

Hedge Funds

Our £4.2 billion hedge fund portfolio had another decent year, returning +11.2% (Figures 9a and 9b) (2020: +17.1%). Hedge funds rarely keep up with strong equity markets, such as those we have seen this year. As the name implies, they hedge out some or all broad equity market exposure and in the case of absolute return funds also invest in a range of non-equity assets. Nonetheless, over the past three years, our portfolio has delivered broadly similar net returns to equity markets with significantly lower volatility.

The risk/return profile of our hedge fund portfolio looks quite attractive in the context of our relatively downbeat medium-term outlook for markets. However, scaling up the portfolio has proved to be challenging as the best managers are capacity constrained. Some of them have also responded to excess demand for their services by raising fees or offering worse liquidity terms, which can diminish their appeal.

Our equity long short hedge funds (£2.4 billion) are active investment vehicles. Their aim is to beat returns from broad equity markets, taking advantage of opportunities to profit both from buying good stocks and selling short disadvantaged companies. Our managers have collectively achieved this aim over the past five years, although short selling, difficult at the best of times, has been especially challenging over much of this period due to liquidity lifting even the leakiest of corporate boats. Overall, the portfolio delivered +12.7% during the year (2020: +23.4%). However, the dispersion of returns was quite wide, with our best-performing manager returning +25.7% and the worst seeing a -17.6% decline.

Our absolute return hedge funds (£1.7 billion) play a different role in the portfolio, which is to provide steady, low volatility, diversified returns that are not highly correlated to equity markets. Performance from this part of our portfolio (+8.3% this year, 2020: +7.4%) has been improving over the past decade as we have concentrated on the best managers. Most of our managers delivered double digit returns, with the best delivering +18.7%. However, one manager was caught on the wrong side of moves in fixed income markets and suffered a negative return of -9.8%.

Private Equity

Our private equity (PE) portfolio comprises buyout funds, venture capital (VC) funds, multi-asset partnerships (MAPs), co-investments and direct private investments. This part of the portfolio had an exceptional year (Figures 9a and 9b), returning +72.6% (2020: +12.7%), which took our total exposure up to £13.4 billion, or 32% of total assets, another new high for exposure to PE.

The largest part of our PE exposure is VC (£7.5 billion), which continues to benefit from rapid technological innovation and a structural shift to the digital economy. Although cyclical value sectors came back into vogue in public markets, there continues to be strong demand for high-quality IPOs of VC-backed companies. Our managers have taken full advantage of this environment, with many of their companies listing on public markets, often at large valuation uplifts, over the past year.

We have so far been wrong to expect lower returns from our VC portfolio. The +79.6% gain (+87.3% in USD, the currency of most of the funds) this year was astonishing (2020: +28.2%), coming as it does at the end of a 10-year period where annualised returns have been +27.8%. The multiple of invested capital on our VC funds since inception is now 2.7x (Figure 10). This level of return will not continue indefinitely, particularly given that increasing amounts of capital are being attracted into the asset class. Nonetheless, we have an exceptional group of VC partners with a long track record of backing innovative and dynamic companies. Even in a tougher environment for the asset class, we believe they will still deliver an attractive premium return.

Our buyout funds benefited from the broad economic recovery and produced a very pleasing return of +30.5% (+36.1% in USD), comfortably ahead of global equities. Over the longer term, these funds have delivered strong and consistent multiples of capital invested (Figure 10). While VC is generally capital-constrained and highly illiquid, buyout funds tend to be larger, more accessible and with somewhat shorter holding periods. We have therefore been able to make some large commitments in recent years that should start to deliver strong realisations quite soon.

Our MAPs are portfolios run by strong local institutions in specific regions across emerging markets, with flexibility to invest across asset classes. Most of them have proved hard to scale, while the last decade has been a difficult period in many of these markets. The composite has beaten the return from emerging market equities over the long term, but the absolute return has been disappointing. In 2020/21 this composite returned +7.7% (2020: -0.2%). Four of the six mandates have been terminated or are in run-off mode, resulting in net distributions of £223m over the year.

The standout performance this year came from our direct private and co-investment portfolios, which returned +370.6% and +182.4% respectively. The main reason for this remarkable return was a series of liquidity events, three each from co-investments and direct private investments. The two largest gains were the sale of Kymab (an innovative life sciences company seeded by Wellcome in 2010) to Sanofi, and the IPO of DoorDash, in which we first invested alongside VC partners in 2016. The latter position has since been transferred to the public equity portfolio and reduced to a more manageable size, realising very significant gains.

It was a highly cash-generative year for the PE portfolio, with net distributions of £1.9 billion. Total distributions (excluding MAPs) came to £3.2 billion. Of these, £591 million came from buyout funds, £946 million from VC funds and £1.6 billion came from direct private investments and co-investments. Although it was a year for harvesting, we continued to plant new seeds to produce future returns, making new commitments totalling £1.5 billion across our PE strategies during the year. Of these, £534 million were to buyout funds, £743 million to VC funds and £236 million to direct private investments and co-investments.

Figure 10
Private equity fund net returns (multiples) Inception to 30 September 2021

	Drawn (£m)	Realised (£m)	Net Asset Value (£m)	Total Value to Drawn
Buyouts	8,035	9,261	3,296	1.6x
Venture	5,186	6,205	7,543	2.7x
All Private equity funds <=2015	10,162	14,947	5,778	2.0x
All Private equity funds >=2016	3,059	519	5,061	1.8x
All Private equity funds total	**13,221**	**15,466**	**10,839**	**2.0x**

Total Value equals Realised plus Net Asset Value. Total Value to Drawn gives a measure of return on invested capital. Funds of vintage years 2015 and earlier have generally finished their investment period.

Property, Infrastructure and Asset-Backed Operating Companies

It has also been a busy year in the property portfolio. The UK property market appears to have bottomed out and begun to show signs of life after the trauma of Covid-19 lockdowns, supporting a total return in the portfolio of +16% for the year (Figures 9a and 9b) (2020: +9.6%).

In January we completed the purchase of Urban&Civic plc (U&C), the first time that Wellcome has taken a company private. We had an existing joint venture with the company and high regard for the management team, which has built the leading strategic land development franchise in the UK. Market recovery and the development of the business resulted in a meaningful uplift in year-end net asset value.

Obtaining outline planning permission for a significant expansion of the Wellcome Genome Campus at Hinxton, Cambridgeshire has resulted in a significant uplift in the valuation of our agricultural assets, which has been the biggest driver of our property returns this year. We are working with U&C to scope out a plan for the development of the site to expand the capacity of this world class facility.

There has been a small mark up in our residential property portfolio as rental levels have stabilised and voids have been reduced. The numbers take account of the completion of the renovation of three apartment buildings and four HMO (house in multiple occupation) buildings, as part of an intensive rolling programme of improvements to our residential portfolio. The completed buildings have been well-received in the rental market, suggesting that the market for quality, well-located property in London is healthy. We have recently received outline planning permission to redevelop two office buildings in Pelham Street, South Kensington and will now draw up detailed plans.

Premier Marinas has benefited from greater interest in leisure boating during the pandemic. We added a new marina to the portfolio this year and have continued to invest in the existing portfolio, resulting in a modestly higher valuation. We are currently marketing for sale our student accommodation block at Northumberland Avenue in London as the student market has remained very resilient.

Away from the UK, we have invested in a California-based private infrastructure company providing a platform to enable the roll out of distributed infrastructure in the renewable energy, waste management and clean transport space. We will continue to look for interesting opportunities in property and infrastructure, which have attractive inflation hedging attributes. Over the course of 2020/21, we deployed a total of £650 million into these assets, while receiving distributions of £103 million. This has been our main focus for net investment in the broader portfolio over the year.

Portfolio Overlays, Currency, Regional and Sectoral Overview

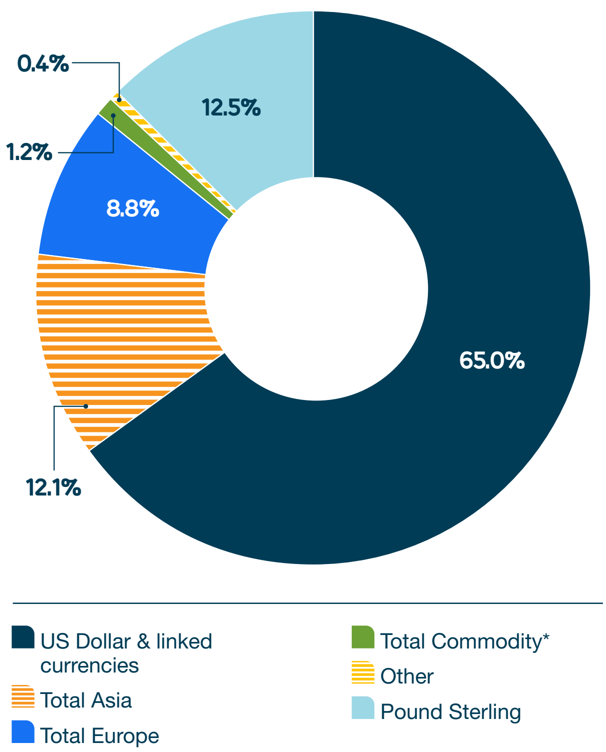
We did not use any equity futures or options as hedges this year, preferring instead to gently sell underlying holdings into strength. An environment of low interest rates, abundant liquidity and rapid earnings growth was not one where we considered it likely that there would be significant market weakness to warrant hedging.

In the foreign exchange overlay (FX) book, the Board of Governors resolved to remove the 15% minimum Sterling limit during the year. As a result, we took advantage of strength in Sterling after the successful vaccination campaign to reduce our hedges against the Euro and remove those against USD and Yen, realising a +£51 million profit in the process. There do not currently appear to be major long-term valuation discrepancies in currency markets that warrant large positions, although we have partially hedged our Brazilian Real exposure in the light of the damage that Covid-19 has wrought on the Brazilian economy.

There was a significant mark to market decline in the value of our bond liabilities as interest rates rose across the yield curve. This resulted in an uplift of +£565 million to our net asset value, although there is no cash impact from this gain. Despite this move, our bond liabilities continue to be priced well above their nominal value; a gap that will be closed as the bonds mature.

In May, we repaid the £275 million 4.75% Sterling denominated bond issued in 2009. This was the first time that any of our bonds has matured since we started issuing in 2006. We then took advantage of a decline in interest rates

Figure 11
Currency allocation (net of currency forwards) (%) As of 30 September 2021



*Currencies of countries with significant exposure to commodities and natural resource industries, excluding currencies which are directly linked to the US Dollar.

Figure 12
Public and private equity regional exposure (%)
As of 30 September 2021

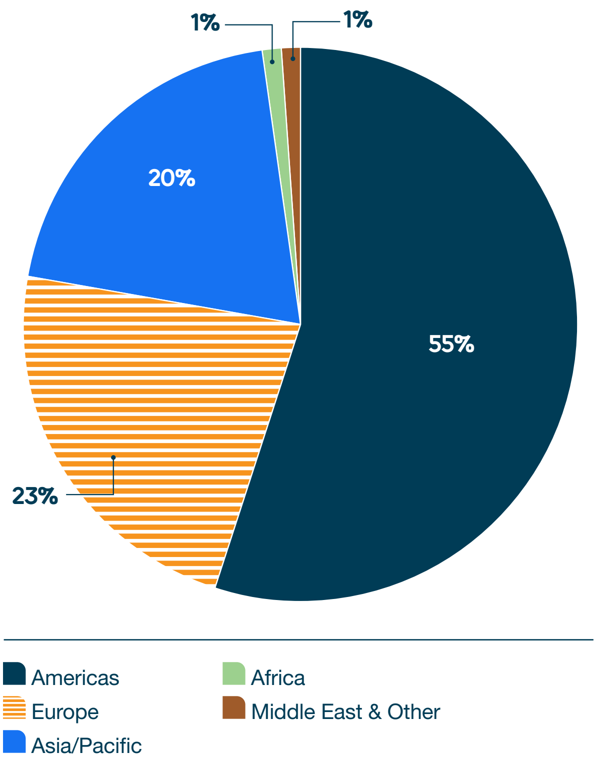
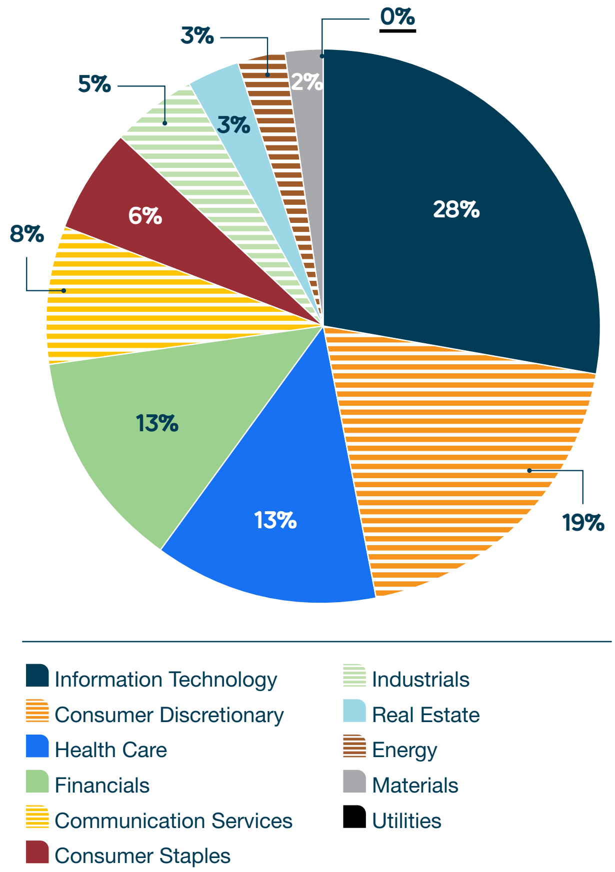


Figure 13
Public and private equity sectoral exposure (%)
As of 30 September 2021



in the summer to issue £750m of AAA/Aaa rated 50-year Sterling debt at 1.50%. The total outstanding nominal face value of our debt at the end of the financial year was £2.8 billion against total gross assets of £41.6 billion.

Our net US Dollar exposure has increased over the year to 65% because of the strong performance of private equity assets, which are largely Dollar-denominated (Figure 11). Sterling exposure reduced despite having added to underlying UK assets as we removed currency hedges and issued additional Sterling denominated debt. Exposure to both Asian currencies (primarily Chinese RMB) and European currencies reduced by a similar proportion as US assets outperformed.

There remains a structural gap in economic growth rates between the Asia-Pacific region and Europe & the Americas. We continue to make and hold significant investments in Asia (Figure 12), although some of these have not performed well in the past year as China has taken a harsher regulatory line in some sectors. We are watching for signs that China is becoming less welcoming to foreign capital as geopolitical tensions rise but so far, the moves have mostly been mirroring those seen in the West to limit the market power of tech giants. One exception was the ban on for-profit after-school tutoring. We had no direct exposure to this sector and limited indirect exposure, but the seemingly arbitrary nature of the announcement spooked the whole market.

It will also be important to watch how China, and other Asia-Pacific economies that have pursued a 'zero-Covid' policy, fare as they find ways to re-engage with a world that has largely chosen a less restrictive path. Ironically, success in keeping Covid out in 2020 has meant that re-engaging with the outside world could be a slow process.

There has been little change in our public and private equity sector positioning (Figure 14). Information technology has moved up to 28%, while consumer discretionary (which includes e-commerce) remains at 19%. Financials exposure is also unchanged at 13%. We have little private exposure in this sector, but the listed sector has outperformed on rising interest rates. More defensive sectors including healthcare and consumer staples have performed relatively poorly over the year and we are seeing some pockets of value in these areas in public markets. Additions to our healthcare positions have led to slightly increased exposure to the sector at 13%.

Progress report – Investments net zero strategy

Our plan to drive down carbon emissions

Over the year we launched our plan to put our investment portfolio on a path to net zero by 2050 at the latest. This is an extension of our long-running approach to responsible stewardship of our assets. It recognises that the carbon-intensive path of development that the world has followed until now cannot be safely sustained. We committed to measuring the emissions associated with our portfolio, as the data becomes available, and to encouraging the managers of all our assets to adopt science-based net zero targets. This is our first report on our progress.

Our approach

We all need to play a role in the transition to a lower carbon future. Governments must set effective policies to put a price on carbon and to channel capital flows. As consumers, we need to be conscious of the carbon consequences of our choices. Companies will have to work across their supply chains to reduce their carbon footprints and invest in greener technologies. Shareholders like us must continue to force the issue up the agenda and hold management teams to account.

We recognise our responsibility as a long-term asset owner to do more than simply set out an ambition, by engaging closely with the managers of assets we own and ensuring they are taking specific actions to put their companies on a science-based net zero trajectory.

We are leveraging our close relationships with the managers of our assets to move them along the various steps of an engagement ladder by making our expectations clear, supporting those who are taking their first steps, and ensuring we are constantly encouraging those who are already working on this to go further.

Engagement remains the cornerstone of our approach rather than excluding whole sectors, which we view as a one-dimensional tool in a complex world. Climate change is a systemic risk that will affect all sectors. Equally, it is an issue to which all sectors contribute, albeit to different degrees.

While our portfolio is heavily weighted towards less carbon-intensive sectors, we still firmly believe that substantive action needs to be taken by the managers of all our assets. We generally have close and collaborative relationships with these managers, but we don’t shy away from constructive challenge where we feel it is necessary. Ultimately, we believe that only environmentally sustainable businesses can be sure of their financial sustainability in the long run.

To bolster our engagement efforts, we have joined the Institutional Investor Group on Climate Change (IIGCC) to work alongside other asset owners and asset managers on what is a global challenge. Until recently, engagement has been predominantly with public companies. We are now focusing our spotlight on our private assets, where progress tends to be at earlier stages. We are having positive conversations with many of our managers, in particular those within private equity, many of whom are now waking up to the importance of taking action.

We recognise that different parts of our portfolio present different challenges and will move at different speeds. For example, in our directly held property assets, we have limited influence over how our tenants use energy, although this has a major bearing on our carbon footprint. Among our hedge funds, we face the question of how to account for the footprint of short and derivative positions.

On measurement, there are different considerations for each asset class, and so we adjust our approach accordingly. We have mapped out what scope of emissions within each asset class we take responsibility for. For example, we will include scopes 1 and 2 of the underlying portfolio companies held by third party managers and will also work with these managers to encourage company management teams to consider scope 3 emissions where appropriate.

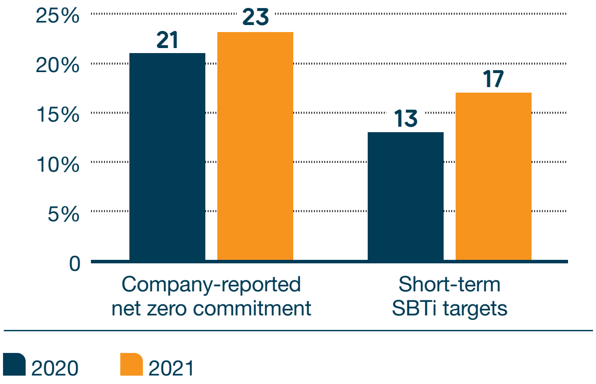
Progress this year

Given the challenges in accurately measuring the carbon footprint of our unlisted assets, we are initially focusing on reporting the percentage of the portfolio (by value) with a company-reported net zero target, the percentage of the portfolio (by value) with a science-based net zero commitment*, and the percentage of the portfolio (by value) with a near-term science-based target. As of 30 September 2021, these numbers stood at 23%, 10% and 17% of gross assets respectively, with the first and last improving from 21% and 13% at 31 December 2020, noting that the science-based net zero commitment was introduced during 2021 and therefore not measured in December 2020.

Given that climate science and measurement metrics are constantly being improved, we use verified targets from the Science-Based Target initiative (SBTi) and will show trends in these metrics over time. In October 2021, SBTi released new requirements for their net zero standard that focus on having both near- and long-term targets to achieve net zero, and take wider consideration of decarbonisation across a company’s supply chain (scope 3).

*https://sciencebasedtargets.org/

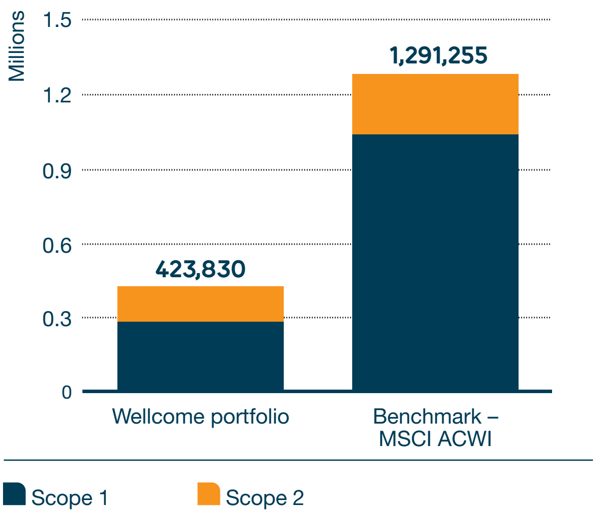
% of gross assets with climate targets over time[1,2]



For our public equity holdings, where the necessary data is more readily available, we recorded a carbon footprint of 423,800 tCO2e (scopes 1 and 2), well below the MSCI AC World benchmark for a portfolio of the same size at 1,291,255 tCO2e. The carbon footprint of our portfolio has fallen by 44% compared to 30 September 2019. This is mostly caused by a change in methodology to apportion attributable emissions by Enterprise Value including cash (EVIC) instead of market capitalisation, which was used previously, in line with updated best practice**.

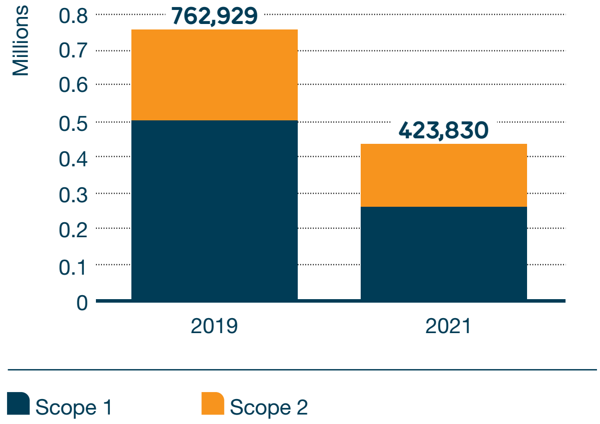
Beyond this change in the recommended measurement, the main reason for the drop in emissions is that the carbon footprints of companies that we've recently added to our portfolio are mostly lower than those of the holdings that we've recently sold. In addition, the companies in more carbon-intensive sectors that we still hold have reported lower emissions this year.

Public equities carbon footprint (tCO2e) As at 30 September 2021[2,4,5]



**As proposed by Partnership of Carbon Accounting Financials (PCAF) and included in the IIGCC's Net Zero Implementation Guide.

Public Equities Emissions – scope 1 and 2 (tCO2e)[2]

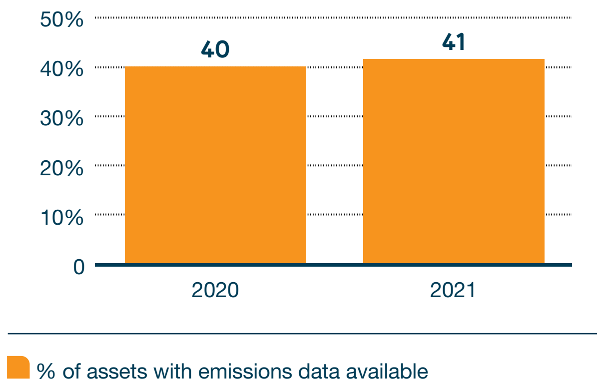


This year, 91% of carbon footprint data came from company disclosures rather than third-party estimates, an increase from 82% in 2019. This is an encouraging sign that companies are taking responsibility for measuring and reporting on their emissions. We continue to advocate for companies to integrate TCFD recommendations into their governance, strategy and risk management processes.

Full details of our approach can be found at wellcome.org.

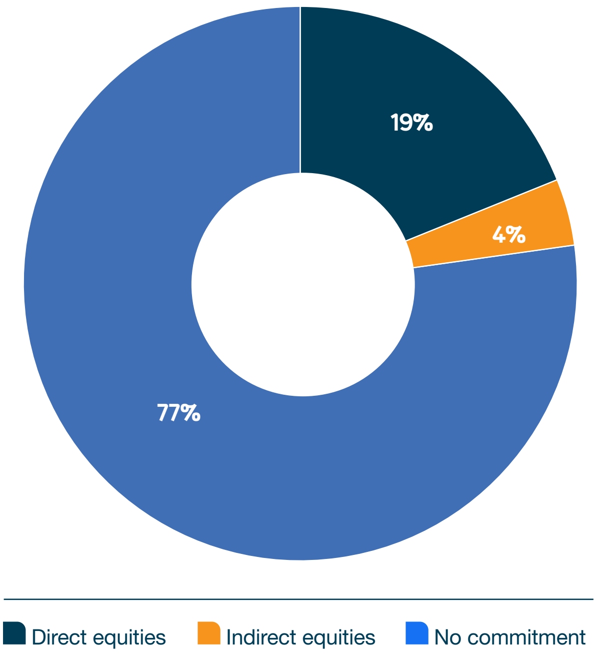
We have been pleased with the positive response that our strategy has received from our investment partners so far, particularly from those who are at relatively early stages of considering climate risks. Over the coming year we will focus on sharing best practice within each asset class among the managers of our assets and encouraging them to adopt similar measures. While we recognise that this will be a long process, where standards undoubtedly will continue to shift, we are reassured that we are in increasingly good company in advocating for this strategy.

% of gross assets with emissions data available[1,2]



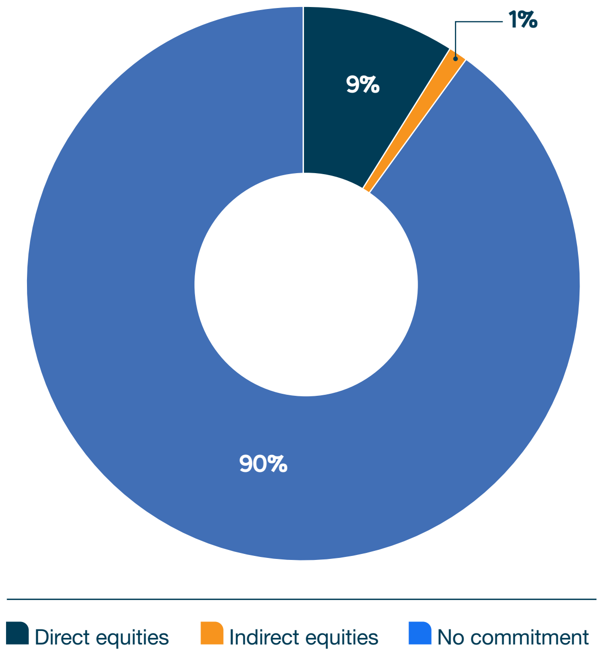
Company-reported net zero commitments[1,2]

% gross assets (by value)



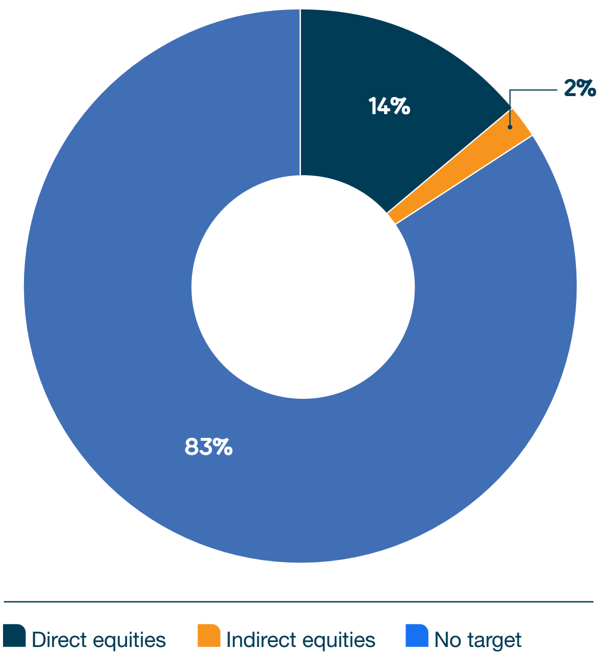
SBTi net zero commitments[1,2,3]

% gross assets (by value)



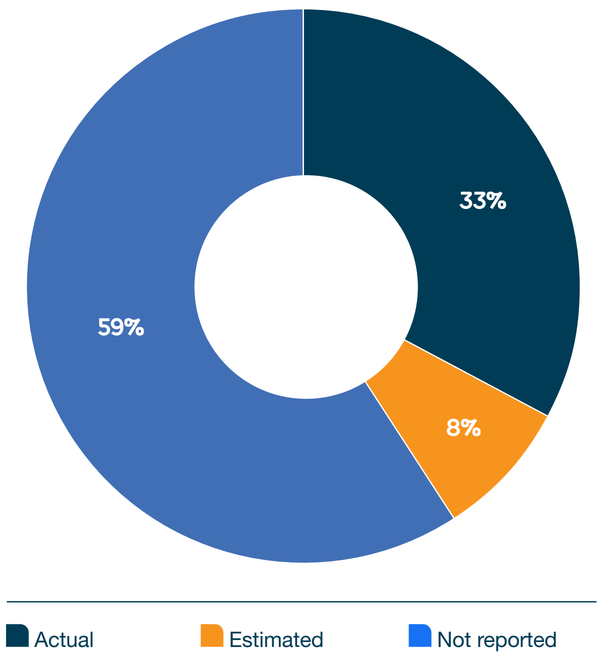
Short-term SBTi targets[1,2,3]

% gross assets (by value)



Emissions data available[2]

% gross assets (by value)



Note: Discrepancies between the numbers in the text compared to those shown in the graphs are due to rounding.

Endnotes

1. For all net zero commitments and near-term SBTs we look at all our direct equity holdings, indirect equity holdings of any size that we already hold directly and otherwise use a materiality threshold of positions >$30m.
2. All portfolio emission data provided by Trucost, as at 30 September 2021. Portfolio emission data for 2019 was provided by Trucost, as at 30 September 2019. All emissions reduction target information for 2020 is shown as at 31 December 2020.
3. Near-term science-based targets and science-based net zero commitments are taken directly from SBTi (https://sciencebasedtargets.org/companies-taking-action). This includes companies with targets set and certified by SBTi, and those that have made a commitment to SBTi to set science-based targets.
4. The portfolio carbon footprint covers scope 1 and 2 emissions of our direct and indirectly held assets. This applies on a look-through basis to portfolio companies and investments that might be held by third-party managers (these fall under scope 3 for indirect equities, buyout and venture exposure).
5. While we do not rely on benchmarking to dictate investment decisions, Trucost's reports use a selected benchmark as a measure of relativity for carbon footprints. In 2021 the benchmark footprint rose as we changed it to the MSCI AC World instead of the S&P Global LargeMidCap index used in 2019. Going forward, we intend to consistently use MSCI AC World.

Financial Review

Overview
for the year ended 30 September 2021

	2021 £m	2020 £m	Change £m
Investment activity			
Income	286	323	(37)
Expenditure	(186)	(166)	(21)
Investment gain	9,253	3,290	5,964
	9,353	**3,447**	**5,905**
Charitable activity			
Income	125	141	(16)
Expenditure before discounting and foreign exchange	(1,233)	(1,099)	(134)
Discounting of grant liability	48	46	2
Foreign exchange revaluation of grant liability	5	34	(29)
Expenditure on charitable activities	(1,179)	(1,019)	(161)
	(1,055)	**(878)**	**(177)**
Net income before tax	**8,297**	**2,569**	**5,728**
Taxation	(10)	13	(23)
Actuarial gains/(losses) on defined benefit pension schemes	152	26	126
Net movement in funds	**8,440**	**2,608**	**5,831**

Total Funds
at 30 September 2021

	2021 £m	2020 £m	Change £m
Fixed assets	413	412	2
Investment assets	41,748	32,712	9,035
Net current liabilities	(1,051)	(1,112)	61
Long term liabilities	(4,848)	(4,190)	(658)
Total funds	**36,261**	**27,822**	**8,438**

Charitable expenditure, Net movement in funds and Total funds are alternative performance measures. Wellcome's alternative performance measures and key performance indicators are detailed on page 90.

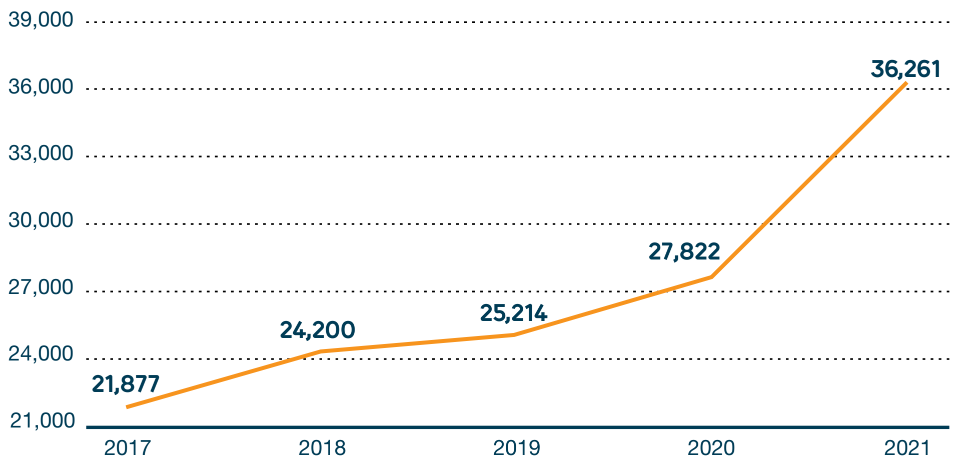
Reconciliation of Overview to Statement of Financial Activities

	2021 £m	2020 £m
Management fees and other investment costs	**110**	87
Interest payable on bond liabilities	**76**	79
Investment expenditure	**186**	166
Grants receivable	**24**	19
Other charitable income	**100**	122
Charitable income	**125**	141

Reconciliation of Net Funds to Balance Sheet

	2021 £m	2020 £m
Quoted investments	**17,292**	14,763
Unquoted investments	**18,814**	13,767
Investment properties	**1,566**	1,292
Derivative financial instruments	**31**	71
Investment cash and certificates of deposit	**3,820**	2,701
Other investment assets	**196**	91
Programme related investments	**28**	27
Investment assets	**41,748**	32,712
Creditors falling due after one year	**(4,443)**	(3,676)
Provision for liabilities and charges	**(181)**	(148)
Defined benefit pension schemes' deficits	**(225)**	(367)
Long term liabilities	**(4,849)**	(4,191)

Total funds of the Charity (£m) as at 30 September



Investment Activity

Our investment activity generated net income of £9,353 million (2020: £3,447 million).

Our portfolio returns this year are 34.5% in Sterling (2020: 12.3%). Over the past ten years, the portfolio has delivered a real return after inflation of 293% in Sterling (2020: 189%). A full commentary is provided on pages 23-32.

The total funds of the Wellcome Trust Group increased by £8,439 million to £36,261 million (2020: 27,822 million).

Charitable Activity

Income from grants, programme-related investment activity and Wellcome Collection was £125 million (2020: £141 million), including grant and contract income received by the Wellcome Sanger Institute.

Charitable expenditure of £1,233 million (2020: £1,099 million) is higher than the previous year; this principally reflects timing of grant awards and renewals (which typically cover funding for five years).

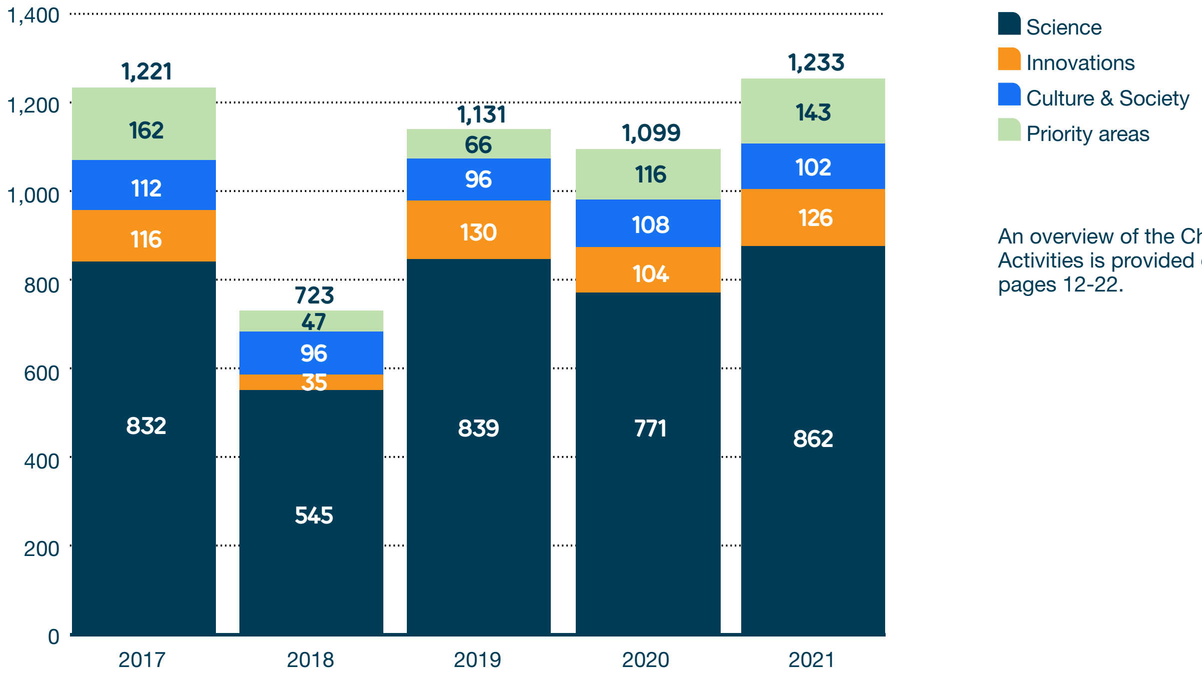
The growth of the investment portfolio has meant that Wellcome can plan to be ambitious in our level of funding for the new strategy, with the Board of Governors approving a planning assumption of £16 billion of charitable activity spend over next ten years.

Annual Charitable Expenditure for the year ended 30 September 2021

	2021 £m	2020 £m	Change £m
Science	862	771	90
Innovations	126	104	24
Culture and Society	102	108	(6)
Priority areas	143	116	27
Gross spend on charitable activity	**1,233**	**1,099**	**134**
Effect of discounting of grant liability	(48)	(46)	(3)
Foreign exchange revaluation of grant liability	(5)	(34)	28
Total	**1,179**	**1,019**	**162**

The present value adjustment is explained in notes 2 and 8.

Total Charitable Expenditure (£m)



An overview of the Charitable Activities is provided on pages 12-22.

Science – expenditure of £862 million (2020: £771 million):
This included:

- Fellowships and studentships, £118 million (2020: £129 million)
- Investigator Awards, £113 million (2020: £118 million)
- Phd Programme, £103 million (2020: £13 million)
- Collaborative Awards, £39 million (2020: £32 million)
- Extensions to Africa and Asia Programmes, £56 million (2020: Renewals: £46 million)
- Wellcome Sanger Institute, through our charitable subsidiary Genome Research Limited (GRL), £114 million (2020: £96 million), an increase in activity due to partial building closures last year due to the Covid pandemic.

Expenditure is higher than in 2020 due to significant one-off commitments and renewals of five-year programmes.

Innovations – expenditure of £126 million (2020: £104 million):
This included:

- Flagship Awards, £62 million (2020: £39 million)
- Priority Project Awards, £15 million (2020: £28 million).

There was some reallocation of budget between Priority Projects and Flagship Awards in 2020.
Expenditure is higher than in 2020 due to a number of larger commitments in 2021.

Culture & Society – expenditure of £102 million (2020: £108 million):
This included:

- Humanities & Social Science, largely Investigator and Fellowship Awards, £24 million (2020: £30 million)
- Public Engagement, £14 million (2020: £18 million)
- Wellcome Collection, £14 million (2020: £14 million).

Priority areas – expenditure of £143 million (2020: £116 million):
This included:

- Drug-resistant Infections, £30 million (2020: £46 million)
- Vaccines, £8 million (2020: £15 million)
- Our Planet, Our Health, £6 million (2020: £11 million)
- Snakebites, £27 million (2020: £5 million)
- Science education, £7 million (2020: £4 million)
- Data for science and health, £16 million (2020: £4 million)
- Mental health, £11 million (2020: £2 million).

Snakebites, Data for science and health and mental health are programmes which entered implementation phase in 2020 and have continued to increase their activity through 2021.

Financial Planning

Our objective when setting the annual budget is to preserve the value of Wellcome's investment portfolio so that the purchasing power of our charitable expenditure is maintained over time. We also aim to ensure that we fund excellent research and that this is achieved in an efficient manner, including careful consideration of operational costs.

'Charitable Activities' represent funding that we commit to, which is recognised in the year in which the grant is awarded. However, payment in cash of many of these commitments will be made over many years, so charitable cash payments in any one year will include amounts relating to grants awarded in prior years.

We plan to support the activities we deliver with a consistent level of funding in real terms.

We established a baseline expenditure level of £900 million in 2017/18 (when we implemented a revised methodology for defining our future charitable expenditure plans), and we expect this to grow in line with inflation on an annual basis, accepting that the phasing of some of our larger awards will mean that this growth is averaged over a five-year period.

We continue to review expected future investment returns and cashflows. Our baseline expenditure is not directly tied to the annual performance of our investment portfolio, which means we have reasonable stability and predictability in our future levels of support.

In addition, we occasionally fund other large-scale, high-impact activities that have a time-limited duration. We add to this funding only when the investment portfolio performance is sufficiently strong, subject to annual review. This year, the Board of Governors agreed to allocate £750 million to this budget, and anticipate to allocate another £250 million in the following year.

Wellcome's new funding strategy may lead to changes in how we set our annual and medium-term budgets, although at this point we do not foresee any material change to the principles of having a minimum baseline of expenditure that grows in line with inflation and retaining the ability to draw upon additional funds arising from strong investments performance, when appropriate to do so.

Pensions

The Wellcome Trust Group provides employees with the opportunity to participate in a defined contribution scheme and for employees who joined prior to April 2016 a defined benefit scheme. A decision to close the defined benefit scheme to further accrual for existing members has been made (refer to Remuneration Report, page 66).

The combined accounting deficit for the Group's two defined benefit pension schemes (the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan) at 30 September 2021 amounted to £225 million (2020: £367 million). The deficit has reduced this year due to the increase in discount rates linked to increased corporate bond yields; this has been partially offset by increased inflation assumptions leading to overall actuarial gains in the year.

The defined benefit pension schemes are required to have triennial actuarial valuations, which are then updated in an interim valuation each year at the balance sheet date of the schemes, 31 December. As at 31 December 2020, the Wellcome Trust Pension and the Genome Research Limited plan had estimated surpluses of £38 million and £8 million respectively, according to the Annual Actuarial Report.

More detail on the pension schemes is given in note 11(e) Retirement benefits.

Reserves policy

The reserve balance, equivalent to Wellcome's consolidated net assets, at 30 September 2021 is £36,261 million (2020: £27,822 million). Wellcome does not define a minimum level of reserves. Our funding methodology defines a minimum level for the net investment portfolio of £20 billion (in real terms as at 30 September 2017) to be maintained over the medium term, equivalent to £21.5 billion as at 30 September 2021. This level is subject to annual review by the Board of Governors and the planning methodology is discussed under Financial Planning on page 39.

The reserves are almost all unrestricted but certain awards made by other funders to Wellcome's subsidiary, GRL, are subject to specific conditions imposed by the donors and are therefore restricted in their use. These amounted to £19.8 million at the end of 2021 (2020: 19.4 million).

Investment policy

Our assets are invested in accordance with the wide investment powers set out in Wellcome's Constitution and within our investment policy. The investment policy is reviewed periodically by the Investment Committee (page 70), who recommend it for the approval of the Board of Governors. We invest globally and across a very broad range of assets and strategies. It is our policy not to invest directly in companies that derive material turnover or profit from tobacco or tobacco-related products.

Our response to the FRC UK Stewardship Code, industry's continued efforts to strengthen the role played by institutional investors in corporate governance, and we review our response and our investment policy regularly, updating them when necessary. Our plan to put our investment portfolio on a path to net zero by 2050 at the latest is discussed on page 33.

Going concern and viability

The Board has reviewed the going concern assessment and the viability assessment of Wellcome and its subsidiaries over the five years to September 2026, and concluded that there is a reasonable expectation that there are adequate resources, including the strength to operate and sufficient liquidity to meet the liabilities of the Group as they fall due over the period of their assessment and for the foreseeable future.

In making this assessment, the Board considered the significant risks laid out in the Risk Management section (page 59), as well as the significant accounting estimates and judgements in note 2.

Notwithstanding the five year viability period which has been driven by the liquidity estimation horizon, the Board conducted a review of Wellcome's funding approach, approving a planning assumption of £16 billion of charitable activity spend over the next 10 years. The Board noted Investment portfolio risk as a key risk impacting Wellcome's resources and reviewed the impact on the value of the investment portfolio of that planning assumption combined with a number of negative investment environment scenarios including 45% decrease in investment portfolio values followed by four-year recovery (the largest historical US public market drop over the last 50 years) and negative real investment returns due to sustained higher inflation. The Board concluded that this level of spend is manageable over the medium to long term, supported by our investment portfolio.

We have also considered reverse test scenarios that would lead to Wellcome being unable to continue to operate in its current form. These stress testing scenarios consider the risk of decline in value of our net investment portfolio below the value of Wellcome's contractual liabilities of £3.6 billion comprising third party liabilities, provisions, pension deficits and commitments, combined with non-contractual but expected grant commitments of £2.5 billion. The net investment portfolio exceeds these liabilities by £32 billion at the balance sheet date.

In addition, as noted in our Reserves policy, we define a minimum level for the net investment portfolio to sustain our planned charitable expenditure. The net investment portfolio exceeds this threshold by £16.7 billion as at the balance sheet date.

Moody's and S&P's each confirmed that Wellcome maintained its triple-A rating in their annual assessments and in their rating of Wellcome's 2071 Bond issued in July 2021.

Structure and Governance

The Wellcome Trust (Wellcome) is an independent global charitable foundation created in 1936 by the will of Sir Henry Wellcome. It is now a registered charity governed by its Constitution, established in February 2001 by a scheme of the Charity Commission and subsequently amended. Wellcome is registered in England and Wales (registration number 210183) under the Charities Act 2011.

The Trustee and Board of Governors

The sole Trustee of Wellcome is The Wellcome Trust Limited, a company limited by guarantee (registration number 2711000), whose registered office is The Gibbs Building, 215 Euston Road, London NW1 2BE. The Trustee is governed by its memorandum and articles of association. The Trustee's directors (known as Governors) and the Company Secretary of the Trustee are listed in the Reference and Administrative Details section.

The Board of Governors is responsible for The Wellcome Trust Group which comprises Wellcome and its subsidiary undertakings (refer to note 21 for significant subsidiary undertakings). The Wellcome Sanger Institute operate under the name of Genome Research Limited, a subsidiary of the Wellcome Trust. Subsidiaries support Wellcome either through delivering against charitable objectives or as investment entities.

UK Corporate Governance Code and Charity Governance Code

As well as following charitable law and regulation, Wellcome considers the nature of its activities and its risk profile. We have regard to principles of good governance and best practice such as those set out in the UK Corporate Governance Code 2018 and the Charity Governance Code. As a public benefit entity with listed bonds, Wellcome complies with the associated legislation and good practice. Where appropriate, we engage with and adopt best practice from other relevant codes of practice.

Senior management

The day-to-day running of Wellcome is done by its Director, Jeremy Farrar. The Director has delegated certain responsibilities for the operation of Wellcome to the Executive Leadership Team (ELT) composed of ten individuals. ELT meets regularly to provide challenge and peer review of matters delegated by Jeremy Farrar to ELT members. There are also a number of management committees that support members of ELT, such as the Operations Committee chaired by Paul Schreier, Chief Operating Officer (COO).

The Board of Governors reviews the Director's performance annually and the Remuneration Committee sets his objectives. The Remuneration Committee reviews ELT's performance and the objectives for ELT are set by their line manager (either the Director or COO) and agreed with the Director.

Following the new organisational design and strategy, a number of changes were made to the membership of ELT.

One new member of ELT was appointed:

- **Director of Research Programmes**: Cheryl Moore joined ELT in May 2021 as the Director of Research Programmes. Her focus is on leading the discovery research and the three challenge-led research programmes: mental health, infectious diseases, and climate and health. She is also a member of the Genome Research Limited Board of Directors, the parent company of the Wellcome Sanger Institute and Wellcome Genome Campus.

The following members of ELT remained the same, but their role title changed:

- **Director of Research Funding**: Alyson Fox's role changed from Director of Grants Management to Director of Research Funding.
- **Chief Information Officer**: James Thomas's role was updated from Chief Technology Officer to Chief Information Officer.
- **Director of Corporate Affairs**: Mark Henderson's role changed from Director of Communications to Director of Corporate Affairs.

There were no changes to the following ELT roles:

- **Director**: Jeremy Farrar
- **Director of People**: Kathy Poole
- **Chief Operating Officer**: Paul Schreier
- **Director of Strategy**: Ed Whiting
- **Finance Director**: Karen Chadwick
- **General Counsel and Company Secretary**: Chris Bird

Two ELT roles were removed from the new structure effective 1 January 2021:

- **Director of Culture and Society**: there is no longer a Director of Culture and Society. Philomena Gibbons held the Interim Director of Culture and Society from 1 August 2020 to 30 December 2020.
- **Director of Innovations**: Tim Knott was Acting Director of Innovations from 1 June 2020 to 30 December 2020 while Katie Anastasi-Frankovics was on maternity leave.

Additionally two new Employee Director roles are being created and they will attend executive committee meetings from next year.

Our governance framework

Our governance framework is based on an open and transparent culture of decision-making. It focuses on the most important issues for our organisation while being strategic and responsive to our stakeholders.

The Board

Led by our Chair, the Board is collectively responsible for the success of Wellcome in achieving its purpose and strategy.

The Board of Governors sets our strategy for improving health through research, creating value to our beneficiaries and other stakeholders, providing effective challenge to the Director and management on the implementation of the strategy and day-to-day running of the organisation, and ensuring there is an effective risk management and internal control system. Certain strategic and operational decisions are reserved to the Board as set out in the Matters Reserved to the Board.

(pages 8-9) Our strategy

(page 48) Our section 172(1) statement

(page 43) Key activities of the Board during 2021

(page 62-64) Our principal risks

Board Committees

The Board is supported by a number of committees to which it delegates certain matters. Board committees report to the next Board meeting following each committee meeting. The committee terms of reference, including membership, are on wellcome.org.

Audit and Risk Committee	Remuneration Committee	Nominations and Governance Committee	Investment Committee
Chair: Amelia Fawcett	**Chair: Amelia Fawcett**	**Chair: Julia Gillard**	**Chair: Richard Gillingwater**
Financial reporting, risk management, internal and external audit.	Remuneration policies and practices, external advisors on Committees, remuneration of Executive Leadership Team.	Stakeholder Engagement, succession planning, senior appointments and reappointments and making recommendations for governance improvements.	Investment performance, investment risk, investment management and providing advice and assurance to the Board.

The Director and the Executive Committee

The Board delegates the day-to-day management of Wellcome to the Director. The Director delegates certain matters to the Executive Leadership Team and maintains challenge and oversight through his Executive Committee.

The Executive Leadership Team comprises senior individuals from Strategy, Investment, Research Programmes, and Corporate Affairs, and also from the enabling functions such as People and Legal. Each ELT member has designated responsibilities and the Delegated Authorities Framework sets out the individual's levels for financial decision-making.

(page 5) The Director's Report

(page 12) Our performance

(page 23) Our investment activity

Management meetings

A number of management meetings assist the members of Executive Leadership Team in carrying out their responsibilities delegated to them by the Director.

This includes the Operations Committee chaired by the Chief Operations Officer.

Overview of the key activities of the Board in 2020/21

The Board met ten times during the year, including five additional meetings focused on matters such as the new organisational design, grant funding schemes, and an extension with Hilleman Labs. A key priority throughout the year was wellbeing, with particular emphasis on the impact of the Covid-19 pandemic on employees. The Board has moved away from focusing on individual funding decisions to focus on more strategic matters, risk management and internal controls. During 2020/21, the Covid-19 pandemic impacted the Board with respect to agenda items for discussion and how it held its meetings – online rather than face-to-face.

Strategy and finance	Strategy implementation (Nov 2020)	Use of reserve funding – agreed that additional spend from the reserve could be used on Covid-19 related projects (Feb 2021)	Research programme – putting in place a new research programme strategy (June 2021)
Risk management and internal controls	Risk appetite – a Wellcome-wide risk appetite statement adopted (June 2021)	Business continuity – lessons learned from Covid-19 were incorporated into our business continuity plan (Nov 2020)	Cyber security – agreed to adopt an enhanced cyber security regime (Feb 2021)
Investment and performance	Acquisition of Urban&Civic plc (Nov 2020)	Bond issue – £750m Bond issued (AAA rated) in July 2021	Climate – adopted a target to reach net zero emissions for Wellcome's investment portfolio by 2050
Strategic funding and partnerships	Francis Crick Institute – £20m additional funding was provided for its core operational funding (Nov 2020)	Clinical PhD programmes – agreed to continue to offer funding for clinical PhDs under the new strategy and it would fund £99.7m over five years	Hilleman labs – extension of Hilleman labs until 2026 and establishment of a base of operations in Singapore (joint venture with Merck) (Jan 2021)
Stakeholder engagement and culture	New Wellcome strategy – collective consultation with staff process and outputs (Nov 2020)	New Wellcome strategy – greater focus on partnership engagement agreed (Nov 2020)	Culture – a programme was established to look at culture change across the organisation, including ELT (June 2021)
Governance and social responsibility	• Appointment of new Chair (April 2021) • Appointment of three new Governors (June 2021 and Nov 2021)	Governance review – agreed scope for independent governance and Board effectiveness review to begin in 2022. An internal Board effectiveness review was carried out in Sept 2021 and actions agreed by the board in Nov 2021.	Increasing diversity – agreed more work needs to be done on increasing ELT diversity and also to improve diversity in grant funding applicants (Nov 2020)

Composition, succession and effectiveness

Members of the Board of Governors are distinguished in the fields of medicine, science, business and not-for-profit leadership. The Board considers each of the Governors to be independent in character and judgement and manages any relationships or circumstances that are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with an extension of up to three years following a successful review and by mutual agreement.

In 2021, the Board approved a succession plan to 2025 and will continue to focus on diversity and inclusion when making further appointments to the Board, its committees and ELT. Wellcome selects new Governors (including the Chair) through an open recruitment process that includes international recruitment firms as well as online advertising. For more specialist roles, such as recruiting Governors with a science background, we also advertise in specialist publications and employ a researcher to support the search in the most diverse pool. Much of the recruitment for new Governors in this financial year was done internally with support from independent consultants where necessary, including Nurole, Peridot Partners, Pearn Kandola, Capita Resourcing, and Egon Zehnder.

In April 2021, Julia Gillard joined as Chair of the Board. Julia is a former prime minster of Australia and is the current Chair of the Global Institute for Women's Leadership. Before joining the Board in April, Julia attended Board and Board Committee meetings as Chair-Elect.

The Nominations and Governance Committee (NGC) also led on the process for the selection of a new Deputy Chair and the Board approved the role profile. Nominations were invited from the current Board of Governors. The Board approved the appointment of Fiona Powrie as Deputy Chair as of 1 January 2022, and thanked Mike Ferguson for his significant contributions to Wellcome as both a Governor and Deputy Chair since his appointment on 1 January 2012 and 1 January 2018, respectively. Mike Ferguson will continue to be a director on our subsidiary, Wellcome Leap Inc. following his resignation from the Wellcome Board of Governors.

Gabriel Leung and Arup K. Chakraborty were appointed as Governors from 1 May 2021. Gabriel Leung is Dean of Medicine and inaugural Helen and Francis Zimmern Professor in Population Health at the University of Hong Kong. He is one of Asia's leading epidemiologists, with extensive experience in viral epidemics. Arup K. Chakraborty is one of 12 Institute Professors at the Massachusetts Institute of Technology (MIT), which is the highest honour awarded to a faculty member. He is also Professor of Chemical Engineering, Physics, and Chemistry. He was the founding director of MIT's Institute for Medical Engineering and Science.

Another new governor, Ijeoma Uchegbu, was appointed in November 2021 and brings with her experience gained as the Professor of Pharmaceutical Nanoscience at University College London, Chief Scientific Officer of Nanomerics and a Fellow of the Academy of Medical Sciences.

We said farewell to two Governors who had come to the end of their terms: Tobias Bonhoeffer and Bryan Grenfell, whose terms ended 31 August 2021, and the Board thanked them for their notable contributions to Wellcome.

All Governors receive bespoke inductions when joining the Board, covering the culture, values, strategy, operations, investments, risks, health & safety and governance of Wellcome. Inductions include one-to-one meetings with members of the ELT, key internal stakeholders in audit and risk, and meetings with key external stakeholders.

The Board of Governors reviews and inputs into the board development plan. The Board Effectiveness Review also sought suggestions for future development and training. The board development plan for 2022 will cover insight into specific Wellcome business areas, cyber risk and cloud governance; anti-racism as part of a equality, diversity and inclusion multi-series training programme; and compliance topics such as anti-financial crime, data protection, and conflicts of interest.

2021 Board Effectiveness Review (Internal)

In September 2021, an evaluation of the effectiveness of the Board of Governors was undertaken. The Chair asked each of the Governors and the Director to complete a questionnaire and to provide commentary on any aspect of the Board, the Committees and Director's performance.

The Board of Governors believes that it is operating effectively, that it is the correct size, that it understood the major issues faced by the organisation and made well-informed, high-quality decisions. All Board members reported that they were actively participating in Board discussion and decision-making, and that there was a positive and constructive boardroom culture. The Chair was doing an excellent job, especially as she had only been in post a few months and due to Covid-19 had held all meetings remotely.

Areas for improvement included management information and reporting, the need to undertake a skills audit, and more focus on succession planning for the Board and ELT. The Board agreed an action plan at its November 2021 meeting, and that progress would be reported on regularly to the Board.

The Board also agreed to undertake an independent governance and board effectiveness review in early 2022 so as to allow sufficient time for the new Chair to be established in role. The selection process for the independent external provider was approved by the NGC and Board. Requests for proposals were received from four independent providers and the Chair, Deputy Chair, and General Counsel & Company Secretary interviewed the shortlisted providers. Mike Ferguson will continue to support the independent review after his retirement from the Board in December 2021. Individual performance reviews of Governors will also take place in 2022.

A number of the actions from the internal review will be looked at as part of the external review.

Accountability and public benefit

Wellcome is accountable to society for delivering our mission, while using our independence for public benefit. The Board of Governors and the ELT benchmark decisions against this statement, particularly to ensure we use our independence for public benefit, and that our strategic and operational plans are aligned to meet our mission. The "What we do" (page 8) and the "Year at glance" (page 10) section provide details of how the achievement of our aims furthers our legal purpose.

The Trustee has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Wellcome's aims and objectives, in planning future activities, and in setting the grant-making policy.

Board and Board Committee Attendance

Name	Role	**Board** Attendance/ No. of Meetings	**Audit and Risk Committee** Attendance/ No. of Meetings	**Nominations and Governance Committee** Attendance/ No. of Meetings	**Remuneration Committee** Attendance/ No. of Meetings	**Investment Committee** Attendance/ No. of Meetings
Eliza Manningham-Buller*	Chair, Board of Governors	6/6	-	2/2	2/2	1/2
Julia Gillard**	Chair, Board of Governors	3/3	-	2/2	2/2	2/2
Mike Ferguson	Governor	10/10	-	3/3	3/3	3/4
Tobias Bonhoeffer****	Governor	8/9	-	-	-	-
Bryan Grenfell****	Governor	9/9	-	2/2	-	-
Fiona Powrie	Governor	9/10	6/6	-	-	-
Amelia Fawcett	Governor	9/10	6/6	-	3/3	-
Cilla Snowball	Governor	10/10	-	3/3	-	-
Richard Gillingwater	Governor	9/10	-	-	3/3	4/4
Elhadj As Sy	Governor	8/10	-	-	-	-
Gabriel Leung***	Governor	2/2	-	-	-	-
Arup Chakraborty***	Governor	2/2	-	-	-	-
Adele Anderson*****	Audit & Risk Member	-	4/6	-	-	-
Chris Jones*****	Audit & Risk Member	-	6/6	-	-	-
Nick Moakes	Chief Investment Officer	-	-	-	-	4/4
Peter Pereira Gray	Investment CEO	-	-	-	-	4/4
Tracey Blackwell******	Investment Committee Member	-	-	-	-	4/4
Stefan Dunatov******	Investment Committee Member	-	-	-	-	4/4
Martin Halusa******	Investment Committee Member	-	-	-	-	3/4
Cressida Hogg******	Investment Committee Member	-	-	-	-	3/4
Girish Reddy******	Investment Committee Member	-	-	-	-	4/4

Notes:

* Eliza Manningham-Butler end of term as Chair of the Board on 9 April 2021
** Julia Gillard appointed Chair of the Board 12 April 2021 and Nominations and Governance and Remuneration Committees in her role as Chair-Elect
*** Gabriel Leung and Arup Chakraborty appointed to the Board 1 May 2021
**** Tobias Bonhoeffer and Bryan Grenfell end of term 31 August 2021
***** External appointments to the Audit and Risk Committee
****** External appointments to the Investment Committee

Statement of Trustee's responsibilities

The Trustee is responsible for preparing the Trustee's Annual Report and Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The law applicable to charities in England and Wales requires the Trustee to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of Wellcome and the Group, and of the incoming resources and application of resources of Wellcome and the Group for that period.

In preparing these Financial Statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities Statement of Recommended Practice 'Accounting Reporting by Charities'
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the Financial Statements
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that Wellcome will continue in business

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Wellcome and enable them to ensure that the Financial Statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. The Trustee is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance and integrity of the charity and financial information included on Wellcome's website: wellcome.org.

UK legislation governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Trustee has reviewed and considered the work and the recommendations of the Audit and Risk Committee, as detailed in the Audit and Risk Committee Report on pages 71-74, and considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the performance and strategy of Wellcome and the Group.

Statement of disclosure of information to auditors

So far as the Trustee is aware, there is no relevant audit information of which Wellcome's auditors are unaware. The Trustee has taken all the steps that it believes it ought to have taken to make itself aware of any relevant audit information and to establish that Wellcome's auditors are aware of that information.

Grant-making policy

Wellcome's grant-making policy supports its status as a public benefit entity.

Wellcome awards a large number of grants across our remit to improve health through research. Most grants are funded through established funding schemes which have specific open criteria. We also award some bespoke grants to achieve specific strategic objectives.

All grant applications undergo due diligence by Wellcome staff to ensure that the resources requested are appropriate for the proposed activities. Awards are made following the advice of expert peer reviewers and are subject to specific terms and conditions. Grantholders submit annual reports and an end-of-grant report which we use to assess progress against our ambitions and to compare our data with that of other funders.

Our terms and conditions require that institutions receiving our funding have formal procedures in place preventing bullying and harassment, research misconduct, fraud, tax evasion, bribery or any other corrupt practices, and that expenditure is controlled in accordance with these arrangements.

Details of how to apply for grants, together with the relevant forms, are available on wellcome.org.

Organisational ethics

To achieve Wellcome's mission, we must all uphold the highest standards of conduct and integrity. We will succeed only if we work together, enhance public trust and earn the respect of our external partners.

During the year, we have maintained a focus on developing our risk and integrity culture. This has included investment in our ethics, governance and compliance function and the development of a framework tackling key compliance risks. We are firmly of the view that integrity is a matter of influencing behaviours and culture, rather than a 'tick-box' compliance exercise, and as such this will take time to fully mature.

In addition to our recent work on financial crime and modern slavery compliance (our modern slavery statement is available at wellcome.org), we are developing detailed workstreams around safeguarding and data compliance, ensuring that we have a fit-for-purpose policy environment with user-focused digital learning and engaging communications, as well as appropriate reporting and assurance. We have appointed specific leads to manage those workstreams. A focus for our governance team in the coming year is refreshing our policy around managing conflicts of interests and under our Conflict of Interests policy building the tools and learning needed to drive embedding it across the organisation.

We continue to develop partnerships with expert organisations to help shape our policy environment, practices and communications, including with Unseen UK (modern slavery and human trafficking), Protect (Speak Up) and the Funder Safeguarding Collaborative (safeguarding).

Our staff Code of Conduct and Speak Up arrangements are maturing and show real indicators of success. Through our partnership with Protect we have been able to monitor demonstrable improvements against the Protect benchmark. As a learning organisation, we have also taken proactive steps to convene a Charity Sector Speak-Up Network, bringing together other charities to share knowledge and experience around developing speak-up cultures across the charity sector.

Q&A with Speak-Up Champion, Amelia Fawcett

What is a “Speak-Up Champion”?

Wellcome’s Speak-Up Champion is an important role set out in our Speak-Up policy. It must be held by a Governor, someone with no operational or executive role in Wellcome but with the highest levels of authority and independence. As a Governor and Chair of the Audit and Risk Committee of the Board of Governors, I am the current Speak-Up Champion.

What do you do, exactly?

I am responsible for ensuring and overseeing the integrity, independence and effectiveness of our Speak-Up arrangements, particularly those aspects intended to protect Wellcome staff from being victimised because they have disclosed reportable concerns. This means that I regularly meet with the Ethics, Governance and Compliance Team and am informed throughout the year about reported concerns. I also am responsible for ensuring the effective assessment and escalation of reported concerns, enabling feedback to be provided to a reporter of a concern. Regular reports are provided to the Board that give an overview of concerns reported and an assessment of how the Speak-Up arrangements are working (are they effective?). This same information is shared and reviewed (in detail I can tell you!) by the Audit and Risk Committee and the Executive Leadership Team.

Why does it matter?

For Wellcome, a culture of openness and transparency, where all staff feel confident to raise any concerns they have (knowing they will be supported and treated fairly in doing so and suffer no detriment), is core to who we are and is critical to our success. Wellcome’s organisational principles talk strongly to Speaking Up – Acting boldly: by speaking up and listening; Stretching ourselves: by looking to improve, learn and develop; and Pulling together: by treating each other fairly with kindness and respect. To the extent I can play a role in fostering that openness, transparency and support, and, importantly, provide assurance that concerns will be properly investigated, I am eager to do so. I would encourage Wellcome staff to use Speak Up to raise concerns—we really want to hear them because we want the most positive working culture at Wellcome.

What can be reported and how can people learn more about the Speak-Up Arrangements?

We want staff, at any level, to tell us their concerns of wrongdoing, which means breaches of the law or our policies. While the Speak-Up arrangements are relatively new, I am glad to see they are maturing and becoming a normal part of Wellcome. Feedback, as well as mandatory training for all staff on the Code of Conduct and our Speak-Up arrangements, are helping that process. We also have a partnership with Protect, the UK’s leading whistleblowing charity, and we use their benchmark tool to assess the effectiveness of our programme. I took their training and found it really interesting and helpful, despite the fact that I have been involved with Speak-Up initiatives at several other organisations. If staff want to learn more, I really would encourage them to watch “The Only Way is Ethics”, a panel session we hosted for all staff, where external experts showcased the value of speaking up in different contexts. Really interesting.

What are the priorities for the future?

We will continue to build on the momentum of this past year, further embedding the programme and increasing communication, outreach and training. A particular focus this year will be on inclusion, a critical part of Wellcome’s overall strategy.

Stakeholder engagement and s172(1) statement

We aspire to use best practice for stakeholder engagement under the Companies Act 2006 s.172(1), the UK Corporate Governance Code, and the Charity Governance Code, to shape how we engage with our stakeholders, including how the Board considers their interests in its decision-making.

Stakeholder engagement at Wellcome informs Board decision-making and supports Wellcome's strategic ambitions

At Wellcome, we actively engage with our main stakeholder groups, and as we now move to implement our new strategy it is a good moment to codify our approach through a systematic stakeholder engagement programme.

Stakeholder Engagement champion on the Board

Cilla Snowball is the designated Engagement Governor for the Board. The Nominations and Governance Committee has responsibility for oversight and development of this activity.

Our culture and principles of stakeholder engagement

Wellcome is an independent foundation but we do not work in isolation. To succeed in our new strategy – supporting science to solve the urgent health challenges facing everyone – we need to build and maintain the support and trust of many different groups of stakeholders. We want a broad range of people to contribute to, and benefit from, science's potential to change the world.

Stakeholder engagement at Wellcome aims to enhance the impact of Wellcome's strategy by:

- delivering benefits for our stakeholders by working together to solve the world's urgent health challenges and support discovery research
- working with stakeholders to help us achieve our objectives
- providing evidence and support to decision makers and leaders around the world on the health challenges identified in our new strategy
- continuously learning from feedback on how we are doing, from practical implementation to Board governance

Our efforts to establish and deepen our strategic partnerships and influence key organisations who can help us to deliver our mission is a central part of our strategy.

Individual relationships with stakeholders and strategic partnerships are supported by programmes of events, digital platforms, political outreach strategies and communications campaigns, all of which enable Wellcome to maximise our contact with stakeholders and the impact we can have by working with others. During the Covid-19 pandemic Wellcome has relied on virtual and mass communications methods to keep in touch with key stakeholders, rather than more traditional face-to-face meetings and events that we have previously organised or attended. As Covid-19 public health requirements ease, we anticipate drawing on a blend of face-to-face and virtual engagement, learning from the positive improvements in the reach and inclusion of elements of our engagement during the extended period of remote working in 2020/21.

Our key stakeholders – why we value them and how we engage

We define our stakeholders as people, communities and organisations with an interest and concern in Wellcome's purpose, strategy, operations and actions, and all those who may be affected by them.	
Our key stakeholders and why we value them	**How the Board and Wellcome engages – illustrative examples**
Employees: we aim to ensure our staff are aligned to support the delivery of Wellcome's strategy, so that Wellcome is a great place to work where employees share one vision	• Increasing Board visibility and accessibility to staff. For example, we have introduced Board buddies, where a Governor from the Wellcome Board is partnered with a Wellcome staff network, such as the Disability Interest Group. • Regular consultation with our staff forum, Wellcome Exchange, whose purpose is to allow employees to play a role in making Wellcome an even better place to work. • Working with the ELT to ensure that staff performance objectives and assessment at a collective and individual level are aligned with each other and enable every staff member to understand their contribution to Wellcome's mission.
Research community: researchers, including current and potential Wellcome grantholders as well as the organisations they work for and the sectors they work in – we want to help their research make the biggest possible impact on global health, alongside building a positive, productive and inclusive research culture, whilst developing relationships	• Monthly publication of Research Update newsletter, which goes to 7,000 members of the research community including current and prospective grantholders. Our newsletter keeps the community informed on the latest funding, policies and activities that Wellcome is leading on or is involved in. • Reimagine Research, a campaign to improve the culture within research settings, including close engagement with researchers, UK government officials and other funders. See case study. • GRL also held conferences remotely in response to interest from this group of stakeholders when in-person conferences were no longer possible (including response to requests for particular content)
Partnerships: including current and potential partner organisations across the global research ecosystem – we want to work together to combine our leverage, resources and expertise so that we can better achieve our shared goals and broaden the reach and impact of our strategy	• Regular strategic dialogue meetings with major partner organisations – including multilateral organisations, including the World Health Organization (WHO), UNICEF, World Bank, CEPI, G7/20, CoP26 and governments such as US, UK, India, South Africa). See case study on working with G7 on setting up a surveillance network for pathogens (page 51).
Investor community: we want to make sure that the companies, funds and managers of assets that we invest in prioritise environmental and social factors as well as delivering the returns that fund Wellcome's work	• A commitment for our portfolio to reach carbon net zero by 2050 at the latest (see page 33). We engage extensively with companies and managers in our portfolio. • Close involvement with UK Investor Forum and other financial industry bodies and asset owners to encourage long-term thinking and good corporate governance in line with our published approach to responsible investment.
Governments and policy makers: we want to encourage governments and policy makers to use scientific findings in decision-making and adopt approaches that support investment in science, improve how science is done, and how science is used to meet our health challenges	• Strongly advocating for sharing vaccines and vaccine manufacturing globally through a sustained programme of bilateral meetings with global governments, an advocacy campaign which included speaking at key events such as the G7 summit and the European Union pledging conference, and media appearances. We coordinated with multilateral partners such as WHO, Gavi and CEPI. We also attended CoP 26. • Supplying expert evidence and advice into government and multilateral policy making processes during the Covid-19 pandemic, including UK Government's Scientific Advisory Group on Emergencies (SAGE) and various WHO committees.
Suppliers: we work with our third-party suppliers that provide goods and services to Wellcome to make sure they deliver good value to enable Wellcome's work, as well as prioritising environmental and social factors – our aim is to demonstrate fairness and value in order to maximise funds to deliver the mission	• Developing a supplier relationship management programme, which will provide procurement support on the management of key strategic contracts and ensure there is a robust plan for management of contracts outside this programme. • Procuring renewable energy through a buying consortium and carbon offsetting our scope 1 and 2 emissions with the Woodland Trust, and covering some scope 3 emissions through offsetting of travel through the Woodland Trust.
Public audiences: everyone, worldwide, has a stake in the health issues that Wellcome works on, and we are accountable to society for delivering our mission, while using our independence for public benefit – we need to understand public perspectives in order to engage others with our priorities	• Publishing Wellcome Global Monitor, a regular global survey informing our understanding of trust and public opinion on major scientific issues. This year's Wellcome Global Monitor provides insight on where science stands in the eyes of the public across countries most affected by our health challenges, with a particular focus on mental health, showing where there is more work to be done to strengthen public trust. • Wellcome Collection, our free museum and library, which aims to challenge how we all think and feel about health. Wellcome Collection creates opportunities for people to think deeply about the connections between science, medicine, life and art. Over the last 12 months, Wellcome Collection opened two thematic programmes of content: 'What does it mean to be human now?' and 'On Happiness'.

Researchers in the Sequencing Centre at the Wellcome Sanger Institute. From left to right: Dr Sophie Adjalley (Postdoctoral Fellow in the Malaria Parasite Drug Resistance research group), Silvia Kariuki (Visiting Researcher in the Human-Parasite Interactions in Malaria research group) and Linda Cornell (Research Assistant on the RNA-Team).

Image © Thomas Farnetti / Wellcome Trust

The adoption of our new strategy means that we moved to prioritising engagement with our key stakeholders in our new discovery research and health challenge programme. This means that we no longer engage with some stakeholders, such as teachers, with whom we engaged under our previous strategy's focus on education.

Case studies: examples of how we have engaged with stakeholder groups and taken account of their interests

i) Research culture

Reimagine Research was a two-year campaign to improve research culture. The project reviewed the current state of research culture, including 94 interviews with UK researchers; co-creation workshops in London, Manchester, and Glasgow; and an online survey completed by 4,267 researchers.

The findings from this phase were published in a report reflecting respondents' views and revealing pressing issues in research culture around diversity, inclusion and standards of behaviour. The campaign provided the Board with invaluable insights on the scale of the problem and essential stakeholder feedback on possible solutions. This will be important for Wellcome's future work in this space, especially as a funder setting stringent targets and standards for diversity and inclusion.

Using this as the 'diagnosis', report findings were shared with the research stakeholder community to understand their concerns and, critically, identify ideas for action. This was done in two ways:

- A series of Town Hall events, attracting 760 participants and run in partnership with 29 research institutions. The events were designed to give a voice to everyone who makes research happen, including technicians and professional services staff, not just academics.
- Café Culture kits and an Ideas Forum to extend the campaign's reach and support people to share their ideas. The kits were designed to facilitate constructive discussions on solutions for research culture that could be used by small groups of colleagues.

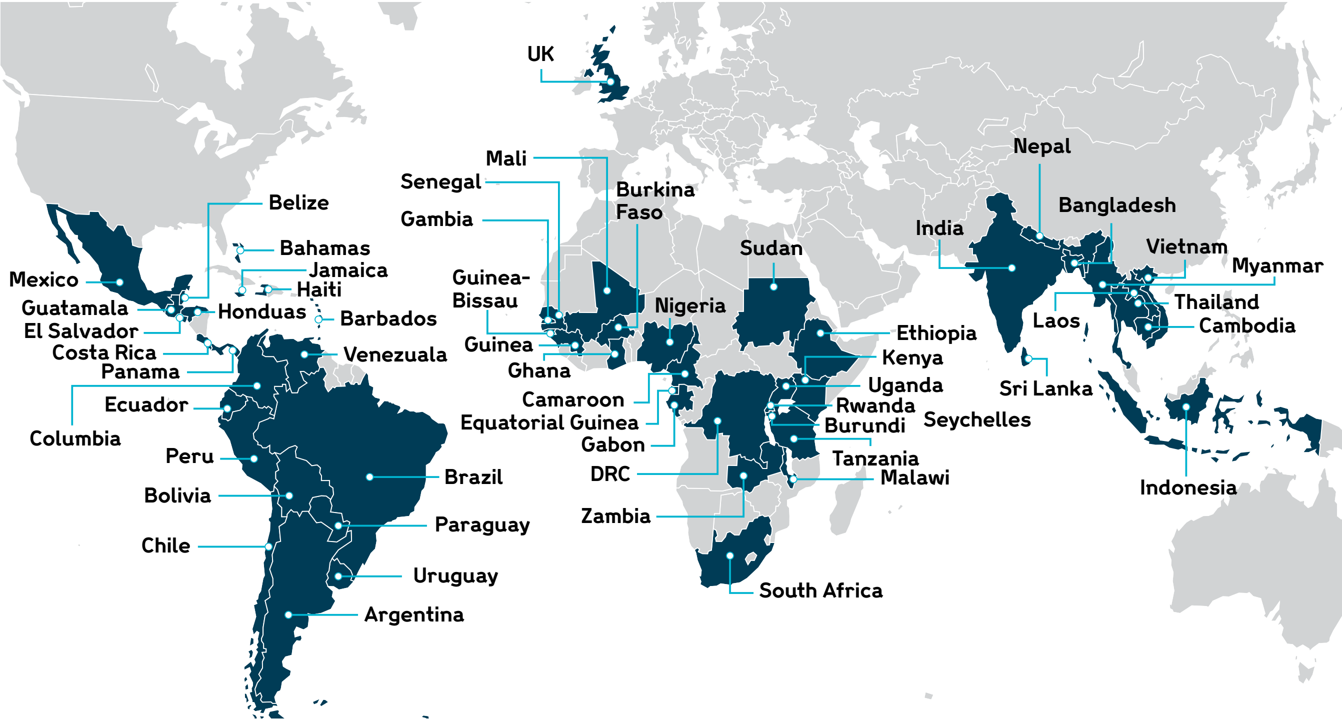
The campaign culminated in an online Festival in March 2021. More than 1,300 delegates, from 56 nations, attended the Festival. The survey data and our messaging has been cited in the UK Government's R&D Roadmap and recent R&D People and Culture Strategy, for example, creating a drive for change.

ii) Covid-19 sequencing

The Wellcome Sanger Institute has one of the largest sequencing centres in the world, coupled with Europe's largest biological data centre. During the Covid-19 pandemic, Wellcome capitalised on this capability, initially by setting up a partnership in the UK, and later by expanding globally, working with the G7 and the World Health Organization (WHO).

Early in 2020, the Covid-19 Genomics UK (COG-UK) Consortium was set up between the Wellcome Sanger Institute, the NHS, the four Public Health Agencies in the UK and a dozen academic institutions. Its purpose was to deliver large-scale and 'real time' whole-genome virus sequencing data to local NHS centres and UK Government. This information aided the accuracy and speed of the Covid-19 public health response and vaccination efforts. Funded by the Wellcome Sanger Institute, the UK Department for Health and Social Care and UK Research and Innovation, the Consortium had sequenced 1,407,606 coronavirus genomes as at 18 November 2021, of which 930,912 samples were sequenced at the Wellcome Sanger Institute.

Wellcome SARS-CoV-2 Genomic Surveillance Activities



The insights gained from the UK partnership were later shared beyond UK stakeholders and helped drive the global response to the pandemic. The map shows regions of the world where Wellcome supported genomic sequencing capacity and capability within clinical and public health labs, alongside making epidemiological data available to national authorities and global databases.

This research clearly demonstrated the need for better pandemic surveillance at a global, rather than a national, level.

Wellcome advocated for expanded global genomic surveillance as part of the UK G7 agenda in June 2021. Jeremy Farrar prepared a report and engaged with a group of global expert stakeholders to develop a proposal for a 'Global Pandemic Radar'. The partnership aimed to provide an equitable global pathogen surveillance network that would prevent and respond to emerging and endemic infectious diseases at speed, at scale and with greater precision.

The proposal was subsequently announced in a call in May 2021 between the UK Prime Minister and the WHO and was included in the G7 leaders communique in June 2021. Implementation is now being led by the WHO.

Our section 172(1) statement

When making decisions, boards should be able to evidence how they have engaged with their key stakeholders and had regard for their views and the wider s172(1) factors. As a charity, Wellcome also needs to carry out our purpose for the public benefit.

The Board confirms that it has acted in a manner consistent with our purpose and values to further the objects of Wellcome for public benefit and having due regard to the factors set out in s172(1), including:

- **Public benefit**: carrying out our charity's purpose for the public benefit.
- **Long-term impact:** the likely consequences of any decision in the long-term.
- **Employees:** the interests of our employees.
- **Fostering relationships:** the need for us to build and sustain business relationships with suppliers and others.
- **Community and environment impact**: the impact of our operations on the world around us.
- **Reputation:** maintaining a reputation for high standards of business conduct.

How Governors have had regard to the s172(1) factors in their principal decisions

Board decision	Governors' consideration of factors under s172(1)	
Begin implementation of Wellcome's new strategy	Long-term impact	The Board considered detailed strategy approaches and early funding proposals in the mental health and climate and health challenges, which will enable Wellcome's long-term beneficial impact in these areas of human health.
	Employees	The Board monitored the progress and impact of the organisational design and formation of the new Wellcome organisational structure, with particular attention on the development of new anti-racism principles and other measures to support greater diversity and inclusion. Staff workloads and morale were key priorities and monitored by the Board and ELT to mitigate any risks in these areas.
	Fostering relationships	The new strategy focuses on creating stronger collaboration, including closer links with centres of expertise like the Wellcome Sanger Institute. The Board agreed that partnership engagement would be a bigger focus in the new strategy and organisational structure, and that a Board member (Cilla Snowball) would champion staff and stakeholder engagement. The Board would also engage with partners directly.
Establish three new Discovery Research funding schemes	Long-term impact	The Board approved the establishment of the three new schemes, including grants with a longer duration, that would give researchers greater time and resource to pursue bold and creative research, that could generate significant shifts in understanding leading to improved health.
	Act fairly	The Board approved updated funding criteria and funding processes to improve access and equity in Wellcome funding, improve diversity and inclusion, and encourage early-career award applicants. A new policy on diversity and inclusion describing our expectations of funded researchers and host organisations would be developed.
	Community and environment impact	The Board agreed that the new funding schemes should require awardees to commit to promoting diverse, inclusive cultures in their environment, with everyone benefiting from supportive professional relationships and development.
Agree a strategy to get Wellcome's investment portfolio to carbon net zero by 2050 (with clear interim deadlines)	Community and environment impact	The Board favours engagement rather than divestment to drive real-world impact in reducing carbon emissions (with clear and targeted engagement goals and consequences (divestment) if management fails to change course). We encourage our underlying assets and managers to follow recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We will develop and integrate climate change questions into our due diligence process.
	Long-term impact Reputation	Wellcome's net zero target set to contribute to effective and responsible stewardship of our assets as a long-term investor, and to allow climate risk to be explicitly analysed as part of our investment decision-making process to protect and maximise risk-adjusted returns over the long-term.
	Fostering relationships	Wellcome is joining the Institutional Investors Group on Climate Change (IIGCC) to further its influence, share insight and pool resources. Methods of engagement by Wellcome with portfolio companies would include proxy voting, corporate engagement, and public policy engagement. The engagement would be done by Wellcome teams as these individuals have the closest relationships with our investment partners and management teams, and would be best placed to influence their thinking.
Pandemic response	Long-term impact Public benefit	The Board agreed to allocate an additional $100m to accelerate COVID-19 research and development including in therapeutics, vaccines and genomic surveillance. Board members provided leadership and advice to the global pandemic response (for example, through the membership of the WHO-World Bank-convened Global Preparedness Monitoring Board), and to advisory committees informing the UK Government response. The Board also participated in and supported enhanced engagement with Wellcome's external investment community, to inform them of the outlook for the continuing pandemic through regular calls.
	Community and environment impact	The Board supported regular communication and advocacy with public audiences and key partner organisations in support of Wellcome's goals – including advocating for and supporting the launch of the ACT-A partnership to accelerate access to vaccines and new therapeutics, and mobilising funding from a range of donor Governments for this partnership and other elements of the global Covid-19 response.
	Employees	The Board increased the frequency of its meetings and employee wellbeing was a key focus. Governors attended meetings of staff networks and other staff events to maintain visibility during lockdown, and were consulted on plans for the change to a hybrid working pattern in October 2021.

Q&A with our lead governor for stakeholder engagement, Cilla Snowball

Purpose of role

The Board has agreed that the Nominations and Governance Committee will oversee stakeholder engagement activity. As the designated Engagement Governor, I'm working with Jo Asphall, Associate Director, Programme Office, to co-ordinate and codify our engagement activity in line with our new strategic ambitions and governance best practice.

We're excited about this work. We want the broadest possible range of people to contribute to, and benefit from, the potential for science to solve urgent health challenges. Wellcome has both a responsibility and accountability to society as a whole and the success of our work relies on the support and trust of many stakeholders, the world over. Tracking engagement systematically and strategically will enable us to maximise the impact of the Board's oversight of Wellcome's new strategy.

Key activities in 2021

2021 has seen a great deal of change within Wellcome and those we fund, notwithstanding the demands of the global pandemic on our organisation and our stakeholders. We have introduced a new strategy and overhauled our organisational design. The Board has welcomed a new Chair, Julia Gillard, and new Board members, Arup Chakraborty, Gabriel Leung and Ijeoma Uchegbu. New talent and partners have been recruited to help us deliver our mission.

All this change has made it even more vital that we define our stakeholder audiences and desired outcomes very clearly so that we can codify current activity and make suggestions for development and improvement. We have defined our stakeholders as the people, communities and organisations with an interest in and concern for Wellcome's purpose, strategy, operations and actions, and all those who may be affected by them. We have identified our key stakeholders, which are detailed in the table on page 49.

We have mapped illustrative stakeholder engagement inputs, outputs and outcomes into a summary dashboard to bring to life the many activities big and small which inform board decision-making. We have also tracked the mission-critical issues which span all audiences such as climate change and Culture, Equity, Diversity and Inclusion.

Priorities and plans for the future

We have always executed stakeholder engagement in a comprehensive fashion. As we move forward, we will be developing new partnerships to meet new challenges and create the conditions for discovery research to flourish. Our stakeholder audience is big and getting bigger. We need to be even more disciplined about our audiences, what we bring to them and what they bring to us, how outcomes shape Board decision-making and how we can do even better.

As the newly-focused organisation embarks on such a big period of change, we also want to make sure the Board has both oversight of and direct access to Wellcome staff, complementing the in-depth work the Board of Governors already conducts with the Executive Leadership Team. Each Board member has been 'buddied' with each of the staff networks and Wellcome Exchange to facilitate greater understanding and to provide support and external advice to the networks.

Example of an area where we need to do more on stakeholder engagement

There is always more we can do, in every area. Climate change is a key priority that spans all our stakeholder audiences and represents a massive challenge as we seek to develop better understanding and increase the urgency of action on climate and health. Great progress has been made in the last year in prioritising climate change within our new strategic vision of supporting science to solve the urgent health challenges facing everyone.

Reframing climate change as a health issue means we will need to accelerate the development of a new and transdisciplinary research community, build vibrant and new stakeholder partnerships, generate new data, synthesise new and existing knowledge and support the uptake of practical solutions to protect and improve health.

As Wellcome's new Climate and Health Director takes up his role and develops Wellcome's detailed climate and health strategy, we will seek to both deepen our existing partnerships and develop new relationships that can help us to reduce the impact of climate change on human health. This will include generating new knowledge about the impact of climate on health and what can be done to mitigate it – both through direct funding calls and through shared programmes of work with partner organisations – and making that new and pre-existing evidence more readily available and accessible to those people making policy decisions.

Eliminating Fossil Fuels in Germany

Krisztián Bócsi

Prevention is better than cure. The faster the world can cut greenhouse emissions, the better we'll be able to avoid the health dangers posed by global heating – from dehydration and malnutrition to infectious disease and extreme weather. A big part of this will come from replacing fossil fuel use, like the Jänschwalde lignite power plant in Peitz, Germany.

Krisztián Bócsi / Wellcome Photography Prize 2021

On the investment side, our priority has always been to fund the mission by working with companies to ensure that environmental and social factors are prioritised alongside meeting our financial obligations. Consistent stakeholder engagement with portfolio companies on emission reduction to accelerate global energy transition is a vital tenet of Wellcome's investment management approach. The investment team reports regularly to the Board on its engagement activities and progress. Stakeholder engagement has a strong influence on the views, policies and actions of the companies' executive teams in which we invest.

During the year the Board again reviewed Wellcome's investment policy in relation to climate change and gave strong support to an engagement approach with companies in which Wellcome invests with the clear purpose of reducing their carbon emissions to be compatible with global targets under the Paris agreement. The Board agreed that divestment from individual companies would continue to be an option should such engagement fail.

As part of this strategy the investment team developed an approach to get the portfolio to net zero by 2050, or sooner, with a detailed 'engagement ladder' to get us there. We were pleased to see Wellcome join an important investor coalition on climate change – the Institutional Investors Group on Climate Change (IIGCC) to ensure that our engagement with companies aligns with other like-minded investors to have maximum collective impact.

Internally, we have ensured our programmes on renewable energy, travel offsetting and policy support the emissions reduction policy and encouraged our suppliers to do likewise.

While the Board recognises the enormous programme ahead on stakeholder engagement on climate change and health, we are encouraged by the significant progress made this year in this area, both internally and by the research and investment teams. We welcome efforts such as those led by the Task Force on Climate-related Financial Disclosures (TCFD) to increase transparency and promote our stakeholders' understanding of Wellcome's strategies to respond to the risks and opportunities presented by climate change. We are working towards meeting the government's expectations of large asset owners to meet TCFD reporting requirements by 2022.

Social Responsibility: Health and environment

Wellcome has a combined Health and Safety and Environment (HSE) policy. The policy's purpose is to promote and support the physical and mental health, safety and wellbeing of our people by doing what we reasonably can to provide a safe working environment, and we will endeavour to minimise the impact from our operations on the environment to accomplish our mission of improving health.

We prioritise consulting with our people on matters of health, safety and the environment. This is done informally through staff surveys and also formally through the Health, Safety and Environment Committee, which meets quarterly and is attended by representatives from all departments.

Ensuring effective risk management practices is also a priority. Key risks identified through Occupational Health usage are musculoskeletal disorders (MSD) and psychological concerns; the former is mitigated by providing training, assessments and equipment to prevent MSD injuries, the latter is mitigated by providing access to counselling and other support through the Employee Assistance Programme, Plumm Wellbeing Services, Occupational Heath, and brief signposting interventions from the Mental Health First Aid Network.

We are committed to employees' physical and mental wellbeing, and have staff trained in both physical and mental health first aid through recognised certified training. This support has been maintained throughout the pandemic by supporting those working remotely. Health and Safety have been part of the Incident Management Team, Covid Management Group and Future Ways of Working team, responsible for supporting staff remotely and in the safe reoccupation of our buildings and Wellcome Collection. This has included staff-wide surveys in 2020 (Future Ways of Working surveys in 2021 were undertaken by the People team) and ensuring we understand and take into account staff concerns.

During 2021, the Health and Safety team at the Wellcome Sanger Institute have continued to support employees working at home, with around 350 people having been supported. They play a significant part in supporting the Campus's Covid-secure measures, including working with human resources business partners to form a track-and-trace team supporting the internal Covid-19 testing programme. Mental health support has continued with training the Mental Health First Aid team in suicide first aid, through the ASIST programme, and the launch of a manager's toolkit to support their teams.

In addition, a new health and safety management system has been delivered, which supports risk, incident and internal inspection programmes in both laboratory and facility areas. The focus on construction and fire safety continues in conjunction with the Estates team. The ISO 14001 environment standard has been retained, along with standards for energy and asset management. Wellcome will continue to work on long-term initiatives to reduce its own, its subsidiaries and its suppliers impact on the environment.

Spotting stress in the workplace

While some stress at work can motivate us and help us focus on achieving our goals, excessive or persistent stress can be damaging to both our mental and physical health. We believe in promoting positive mental wellbeing in the workplace. This has been even more important during the pandemic. We support each other through schemes such as Mental Health First Aiders, providing guidance for line managers, and making tools easily available for individuals to spot stress and how to manage it using, for example, our stress risk assessment. Individuals can also access free employee counselling and advice through our Employee Assistance Plan or Occupational Health.

Social Responsibility: Our people

Wellcome aims to enable a healthy, inclusive working environment that empowers our people to thrive while delivering our vision and ambitions. We have around 800 colleagues, based in the UK and Germany.

This year, Wellcome undertook a major redesign of the organisation to align teams and individual roles to delivering our new strategy. The process included the offer of a generous voluntary redundancy package, and consultation with staff through an elected Employee Consultative Body on the proposed new structure, followed by individual consultation where necessary. This process was particularly challenging for staff. Impacts were felt across the organisation, with staff moving roles and new teams being formed. 65 staff opted to take the offer of voluntary redundancy, 32 elected to take redundancy when their role was put at risk and there were 8 compulsory redundancies (see note 11(e) for impact on Employment expenditure). These redundancy payments form part of staff remuneration in year and are reflected in the benefits paid (see note 11(d)).

The implementation of the organisation design included redeployment and internal recruitment phases; ensuring that our own staff had the first opportunity to apply for roles. Through this 25% of staff in scope were able to make a career development move. Although this was not the primary reason for the redesign, we were pleased to offer so many staff these opportunities.

We analysed the effects of the organisation design process on groups of people with diverse characteristics such as gender, race and ethnicity, and socio-economic background. There were no differences in outcomes of the process for most groups collectively (this analysis did not evaluate individual experiences), however we recognise that this does not capture how different groups experienced the process. Two groups, however, left Wellcome at a higher rate – these were staff aged 41 and over, and staff with caring responsibilities. While this does not necessarily imply adverse experiences for these groups, it is valuable data to inform our understanding of what more we can do to ensure our internal culture (including recruitment) is fair and inclusive.

Outside periods of formal consultation on specific topics, staff are encouraged to raise concerns directly with senior staff. The Director and members of the Executive Leadership Team (ELT) have repeatedly invited colleagues to get in touch by email with any questions or concerns. Two ELT places will be added next year for new Employee Director roles. The Board, too, has increased efforts to be more visible and accessible to staff.

Our staff forum, Wellcome Exchange, has played a key role in strengthening the relationship between ELT and employees. Wellcome Exchange's mission is to make Wellcome an even better place to work through employee feedback on matters including strategy implementation and our new organisational design, the impact of Covid-19 and future ways of working. It has partnered with a sub-group of ELT to support their decision-making by deepening their understanding of what matters to employees.

> *"I consider how ELT and senior leaders partner with Wellcome Exchange as essential to strengthening Wellcome as a great place to work… This is making a difference at a strategic level now and it helps our organisation to shape key decisions."*
> **Anusha Everson, Wellcome Exchange sub-group**

Staff networks at Wellcome offer people across the organisation another way to come together, support each other and contribute in a different way to Wellcome's work. Each of the staff networks has an allocated governor, or 'Board buddy':

- **Disability Interest Group** – Arup Chakraborty and Richard Gillingwater
- **Interfaith Network** – Cilla Snowball
- **LGBTQ+ Network** – Mike Ferguson and Gabriel Leung
- **Parents and Carers Network** – Fiona Powrie
- **Wellcome Race Equity Network** – Elhadj As Sy
- **Women of Wellcome** – Amelia Fawcett

This year, our networks have used their cross-Wellcome perspectives to gather insights into staff attitudes, especially after the organisational design process. This led to recommendations from the networks to ELT and senior leaders and subsequent actions in some cases. For example, the Disability Interest Group provided input and advice on how to be more anti-ableist in redeployment and recruitment processes, as well as in our future ways of working (see below) and in Wellcome's communications.

The networks have also helped maintain engagement among a dispersed workforce, through speaker series and blogposts on topics such as Pride, decolonisation, action against male violence against women, and the social model of disability.

Diversity and inclusion

The Board has made equity, diversity and inclusion a focus of their work. This year, the focus was on anti-racist principles and guidance developed by colleagues in our Diversity and Inclusion priority area and across Wellcome. The Board discussed the draft anti-racism guidelines at two meetings, including how they could be used by Governors as well as by the ELT and across the organisation. The final guidelines were published on the Wellcome website in June 2021, followed up with training for senior staff and our People teams later in the year. We have not taken as much action as we would have liked to start implementing the anti-racism principles this year, due to factors associated with the pandemic and organisational design. It is an increasing priority, however, to address the ethnic diversity of our staff and those who apply for our funding. As we begin to do more, external evaluation will help us to assess our progress.

Anti-racism and anti-ableism were the priorities in Wellcome's new diversity and inclusion strategy – not because we have no work left to do in other areas of discrimination, but because these are two areas where we have the most work to do. As the Diversity and Inclusion team were also focusing on embedding inclusivity in the development of Wellcome's new overall strategy, our anti-ableism programme was not able to launch at the same time as the anti-racism programme, but it will follow in 2022.

Our diversity and inclusion strategy was published in March 2021 (see page 21 for more details on the second and third goals). It sets three stretching goals for 2031:

1. Wellcome staff are representative of the places we work, able to be themselves, and supported to be their best.
2. People funded by Wellcome are more representative of the global population, able to be themselves, and supported to be their best.
3. All Wellcome-funded research is inclusive in both design and practice.

Staff diversity FY2020/21

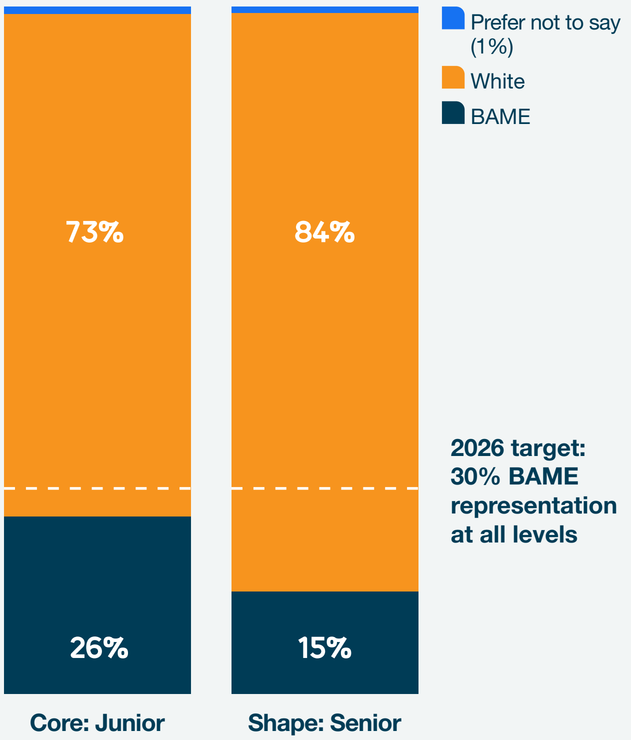
Gender	**78% provided data**
Female	65%
Male	32%
Other*	3%
Ethnicity	**80% provided data**
BAME	19%
Black	4%
Asian	9%
Mixed and Other	6%
White	80%
I identify another way	<11 individuals**
Prefer not to say	<11 individuals**
Disability	**65% provided data**
Disabled	9%
Not disabled	87%
Prefer not to say	4%

We ask staff to share personal information so that we can track progress on diversity at Wellcome. (Data as of 20 October 2021)

*3% of staff responded as either I identify another way, Non-binary or Prefer not to say

**To prevent identification of individuals, if fewer than 11 people have selected a category, we do not disclose numbers or percentages.

Staff ethnicity by seniority



We have five job bands at Wellcome: Executive Lead, Shape, Affect, Implement, and Core. Here, we look at the percentage of BAME and White colleagues in Core, usually the most junior roles, and Shape, the most senior band below the Executive.

Each of these goals is supported by intermediate two- and five-year milestones, with specific targets against which our progress will be measured. To achieve our first goal, for example, by 2026 we want:

- 30 per cent of Wellcome staff to be from Black, Asian and Minority Ethnic (BAME) communities and 15 per cent disabled, reflected across all levels of seniority – this will be achieved through equal or higher rates in hiring, progression and retention
- at least 75 per cent of senior leaders to demonstrate they have met inclusive leadership criteria in their performance reviews
- at least 80 per cent of BAME and disabled staff to feel that Wellcome is an inclusive organisation

To achieve this, by 2023 we will have:

- achieved Disability Confident accreditation
- developed anti-racist principles, toolkit and training, and made progress towards racial equity
- clear, transparent and equitable criteria for hiring and developing people's careers, and they will be used consistently across the organisation
- supported our People team and 50 per cent of managers to increase their understanding of inclusive management, including anti-racism, inclusion of racially minoritised people, anti-ableism and inclusion of disabled people
- made 'building and supporting diverse and inclusive teams' an essential requirement in job descriptions for senior leadership positions and in performance assessment and reward decisions

Pay gaps are another measure that give a broad indication of an organisation's inclusivity. Wellcome has published our gender pay gap since it was made mandatory in 2017 for UK organisations with more than 250 employees. We also began voluntarily reporting our ethnicity pay gap in 2019. We know the figures do not tell the whole story – for example, we had a small negative ethnicity pay gap in 2019, but this does not mean the experiences of white people and people of colour are the same at Wellcome.

The gender pay gap at Genome Research Limited was 8.7% on 5 April 2020.

Wellcome's Gender Pay Gap 2017-2021

Year	2017	2018	2019	2020	2021
Gender Pay Gap	20.8%	17.4%	17.3%	15.9%	13.2%

Wellcome's gender pay gap has fallen steadily since 2017, although progress has been slower than we would like. Actions take time to show in the data but we expect to see a lasting effect in future years.

Data: gender pay gap in median pay for women at Wellcome as a percentage of median pay for men at Wellcome

Future ways of working

Wellcome has put in place additional processes to support the safety of staff working in the office since March 2020, including social distancing measures and weekly Covid-19 testing. We are grateful to our staff who have kept our building safe and secure throughout the pandemic. Wellcome Collection reopened in May 2021 and the staff across the organisation who are involved with the running of the Wellcome Collection returned to the office in April 2021.

As we did last year, we continued to ensure everyone had appropriate equipment at home to do their job remotely where possible, and arranged alternative work spaces for those unable to work from home when our offices were completely closed. We encouraged staff to prioritise their loved ones during lockdowns, especially when schools were closed, and paid staff, contractors and service partners whether or not they were able to work.

This year, we prepared for most of our staff to return to Wellcome's offices in October 2021, while continuing to support flexible and remote working when necessary public health measures were in place. In October, we began a six-month trial of hybrid working at Wellcome. We recognise that not all staff will be able to work remotely and some people will have fewer options in how they choose to work as a result. However, we're using what we've learned from the last 18 months to create greater flexibility for staff while still working collectively to deliver our new strategy.

Like many other organisations, we appreciate the extent to which the pandemic has required all of us to reappraise how we work. And as Wellcome continues to implement our new strategy, we will keep adapting to the needs of our staff so that we can support science to solve the urgent health challenges facing everyone.

Risk management

Wellcome aims have a comprehensive and integrated risk culture with a framework which allows us to anticipate, identify, prioritise, manage and monitor risks impacting our organisation and supports decision making.

Risk management provides the framework within which Wellcome can successfully deliver its ambitious plans under the new strategy.

Risk governance

The Board of Governors is ultimately responsible for the oversight of Wellcome's risk management systems, which is exercised through the Audit and Risk Committee. Key roles and responsibilities, including those of the Board, the ELT, and the Investment Committee are set out in the risk management policy.

Risk appetite

Risk appetite is the level of risk we are willing to take to achieve our mission and strategic objectives. It supports a risk-based culture, where Wellcome's desired risk profile is explicitly considered in all key decisions, aligned to the strategic focus and the risk/reward balance desired by the Board.

We have reviewed and updated our approach to risk appetite, which was approved by the Board in June 2021. We express our risk appetite in five levels of willingness to take risks: Very Low, Low, Medium, High, and Very High.

- Our investment portfolio is a resource that makes our charitable work possible. We have a high level of risk appetite in respect of investment performance and risk, and a low appetite for investment operations, legal, counterparty and credit risk and liquidity risks.
- Wellcome supports thousands of scientists and researchers in more than 70 countries. We provide funding for discovery research, and activities in our three health challenges: Climate and health, Mental health and Infectious diseases. We have a medium-to-high risk appetite in respect of these activities – we are willing to support world-changing science while at the same time promoting a structured and ethical research culture in the organisations we fund.
- Wellcome has a very low risk appetite in respect to safeguarding the health and safety of our people; the public; breaches of legal, contractual and regulatory requirements; financial obligations; and information security. We have a low risk appetite in the provision of sustainable and robust operational support to the delivery of our mission.
- A medium risk appetite has been set for our reputation. We are willing to take considered risk in promotion of our funded research, campaigns and advocacy work where it supports the delivery of our mission. We are willing to express our views, backed by transparency of rationale and interaction with the communities we support.

Risk management and control framework

Wellcome operates a "three lines" framework:

- **The first line:** Management is responsible for risk management and the execution of operational and financial controls. The ELT reviews key internal operational and financial controls annually and confirms the operating effectiveness of those controls to the Audit and Risk Committee and the Board of Governors. The roles of the ELT and the Board of Governors are discussed on page 41.
- **The second line:** The Risk Management function facilitates and monitors the implementation of effective risk management practices and assists risk owners across the organisation in defining the target risk exposure and reporting risk-related information.
- **The third line:** Internal Audit provides independent assurance over the operation of controls. The internal audit programme includes the review of risk management processes and recommendations to improve the internal control environment.

First line – Internal controls

Wellcome's internal controls are designed to provide the Board of Governors with reasonable assurance against material misstatement or loss, including that proper procedures are in place and that these procedures are operating effectively.

The Executive Leadership Team reviews key internal operational and financial controls annually and confirms the operating effectiveness of those controls to the Audit and Risk Committee and the Board of Governors.

Control Environment

The key components of Wellcome's internal controls are:

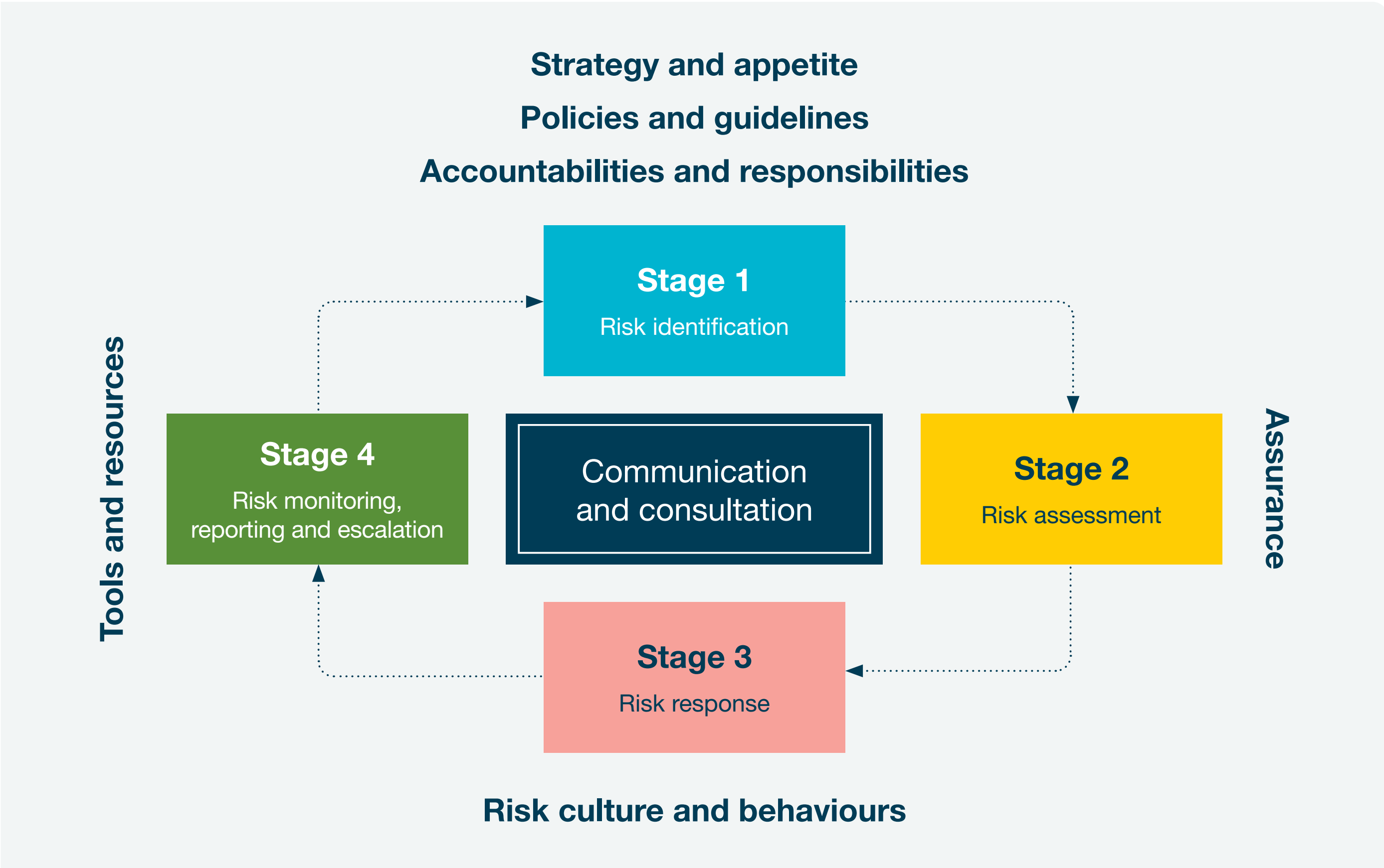
- **Accountability:** At Wellcome we recognise our people are owners of the risk and control environment in their areas. Management are responsible for the design and effectiveness of controls in their areas and all staff are responsible for implementing controls. During the year we have reconfirmed this responsibility in all roles as part of the major redesign of the organisation to support the new strategy. Ownership and accountability for Wellcome's risks and their mitigating controls is captured in the Corporate Risk Register discussed on page 74.
- **Delegation:** There are documented procedures for delegation of decision-making, which ensures judgements and decisions are made at the right level by appropriately informed and capable people. These delegations have been reviewed and updated throughout the major redesign of the organisation. Analysis of risk and financial impact is built into the decision-making processes of the Board and ELT.
- **Policies and guidance:** A suite of policies covers major activities and risk areas and are all available on the internal website with detailed scenario guidance and FAQs to support staff in their implementation. Our policies emphasise personal judgement and responsibility, with staff, committee members and Governors expected to conduct themselves with integrity and impartiality. Policies are subject to regular review, with updated policies highlighted to our people through internal communications and training. The policies include Agreements, Code of Conduct, Conflicts of Interest, Delegated Authority, External Complaints, Financial Crime (covering fraud, bribery and corruption), Procurement, Risk Management and Speak Up. The Code of Conduct, Speak Up and Conflicts of Interest policies are discussed on page 47. Wellcome's grant conditions and policies set out the standard terms on which grants are awarded. The grant-making policy is discussed on page 46.
- **Reporting:** The Board of Governors and the ELT review regular financial reporting, monitoring actual activity against forecast, investment performance and risk reports. This reporting is supported by:
  - reconciliations of financial records, line manager reviews and systems' access controls
  - budget-holder review expenditure, supported by Finance
  - a Valuations Group which considers the Group's investment valuation policies, application and outcome

The Board of Governors, the ELT and the Audit and Risk Committee review reporting on the effectiveness of the controls environment. This reporting is supported by:

- an annual report on controls to the Audit and Risk Committee, which reports on controls with consideration of the guidelines contained in FRC ISA (UK) 315 (Revised June 2016): Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and its Environment" and FRC ISA 240 (October 2009): "The auditor's responsibilities relating to fraud in an audit of financial statements".
- a grants assurance update provided by the Director of Grants to the Audit and Risk Committee

Second Line – Risk management framework

Our risk management framework is applied consistently at all layers of organisation, at executive, department, team, programme, and project levels.



Each layer is responsible for identifying their risks and assessing the impact and likelihood of risks against the risk matrix on a quarterly basis.

We classify risks into six categories:

- Investment Performance & Risk
- Investment Operations
- Strategic Objectives
- Operational Risks
- Financial
- Legal & Governance

The following impact categories are considered for each risk:

- Delay or non-delivery of Wellcome's objectives, such as skill shortages, key partner or supplier failure, delay in delivery of a strategic objective
- Financial loss, such as impact causes monetary loss, fraud
- Reputation, for example, criticism by stakeholders, unethical behaviour by Wellcome affecting a key stakeholder group
- Investment loss, such as volatile investments or liquidity
- Regulatory, legal, accounting or tax compliance issues, for example, inquiry by a regulator, potential prosecution
- Health and safety, such as injury or fatality.

A single risk can have an impact in more than one category. Risks are assessed at both the current level (taking into account the effectiveness of existing preventative and mitigating controls) as well as the target level (the level of risk assuming all planned actions are completed).

The key corporate risks (see pages 62-64) are consolidated in the Corporate Risk Register. The ELT, the Audit and Risk Committee and the Board of Governors periodically review these risks and challenge the risk trend as well as the adequacy and progress of the treatment plan of these risks. In addition to key corporate risks, the ELT, the Audit and Risk Committee and the Board of Governors also review the emerging risks (see page 62).

Management is responsible for managing and monitoring risks they own. To facilitate this, we are in the process of setting risk appetite levels for each risk area, along with metrics and thresholds.

Emerging risks

As a global charitable foundation that supports science to solve the urgent health challenges facing everyone, this year we introduced a process to review emerging and long-term risks in addition to key risks facing the organisation. This involved the Board of Governors, ELT and the Audit and Risk Committee reviewing megatrends, and considering how they would impact on our organisation, mission, and our endowment.

- **Changes to the global geopolitical landscape** – This may affect established collaboration networks and global institutions making Wellcome's mission harder to achieve.
- **Economic instability and funding** – Wellcome's investment portfolio may not produce the required returns to fund the charitable mission.
- **Changing regulatory landscape** – This may lead to additional constraints on Wellcome's operations.
- **Social changes** – Changes in how society views science and charitable foundations may impact how Wellcome operates.
- **Technological & scientific developments** – These may have ethical implications for Wellcome or an increased pace of change may impact upon Wellcome's delivery model.
- **Pandemics** – Wellcome may experience significant operational disruption and the need to refocus research funding.
- **Climate change and natural resources** – May lead to operational challenges for both Wellcome and partners.
- **Changing demographics** – Wellcome may need to build new research networks or adjust the focus of areas of funding.

Our subsidiaries

Wellcome's wholly-owned operating investment subsidiaries take responsibility for risk management within their respective operating companies. The board of each operating company includes appropriate representation from Wellcome and is responsible for ensuring that the operating company has an appropriate balance between risk and reward, and an appropriate risk management culture. Wellcome exercises its oversight by sending a representative to the Audit Committee or Audit and Risk Committee of each operating subsidiary, as well as having a report submitted to our Audit and Risk Committee.

Our response to the pandemic

At the start of the pandemic, the organisation proactively moved to working from home in a planned transition. The remote working approach has continued since then (with the exceptions of building-orientated and Wellcome Collection activities taking place on-site), until the move to a hybrid working model in October 2021. People's expectations of how and where to work will continue to be affected as the pandemic continues, and Wellcome – like other employers – will continue to review our approach.

The risk function continues to leverage the comprehensive assessment completed in early 2020 to understand the potential impact upon Wellcome as an organisation, as well as to the external scientific community. Particular areas of focus include the engagement and wellbeing of employees, risks to delivery of priorities and specific Covid related work being undertaken. The assessment enabled the risk function to establish key themes across the organisation, where significant risks have subsequently been assessed and included in the corporate risk register. Overall, the findings were that the impact of the global pandemic did not expose the organisation to unduly high levels of risk.

The risk function continues to closely monitor developments across the organisation as the situation evolves.

Key risks

Risk decreasing | Risk stable | Risk increasing | New risk

Risk	Description	Mitigating activities and oversight
Investments		
Investment portfolio	Due to catastrophic loss of one or more assets within the portfolio, inadequate liquidity, or lack of protection against the impact of inflation, we may be unable to maintain the level of charitable spend to achieve Wellcome's strategic objectives.	**Mitigations in place:** • Global diversification across assets and asset classes to limit the potential for value loss. • Diversification of cash flow sources. • Regular review of forecast cash flows to manage the portfolio's liquidity profile. • Regular consideration of inflation protection within the portfolio with a focus on equities and property holdings. • An independent Investment Risk function reporting to the Finance Director. **Planned mitigations:** • Position sizing and IC review of top hundred assets. • Focus on real assets to protect against inflation. **Oversight by:** • Chief Investment Officer. • Chief Executive Officer, Investment Division. • Investment Committee.

Key risks continued

Risk decreasing Risk stable Risk increasing New risk

Risk	Description	Mitigating activities and oversight
Investment operations	Due to insufficient resources, inadequate digitisation and lack of succession planning, our Investment function may not be able to perform the investment activities planned. This could negatively impact our ability to fund Wellcome's mission.	**Mitigations in place:** • Investments operations project. **Planned mitigations:** • Development of succession planning. • Strategic resourcing of the Investment function. • Creation of a change roadmap for the Investment IT system. **Oversight by:** • Chief Investment Officer. • Chief Executive Officer, Investment Division. • Investment Committee.
Strategic		
Organisational change	Wellcome executed an implementation programme for the new organisational design following on from the strategy review in 2020. There is a risk that the implementation programme may not deliver the potential benefits of the strategy, due to the lack of alignment between the implementation programme and the strategic vision, or lack of capacity. A failure to communicate the rationale for change could damage stakeholder trust.	**Mitigations in place:** • An ELT Sub-Group, led by the Chief Operating Officer, led and managed the change programme while continuing to maintain business as usual activities. • The change programme includes organisational redesign (including diversity and inclusion considerations), risk and change management arrangements, internal and external communications plans. • Final organisation redesign has been approved to ensure designs meet delivery needs. • Implementation plan supported by robust communication planning. • Prioritisation of activities and organisation design considered staff's well-being needs. **Planned mitigations:** • Culture shift work to ensure the new strategy delivers the required culture change. **Oversight by:** • ELT Sub-Group.
Wellcome's pandemic response	Wellcome as an organisation, as well as our individual leaders, have been at the forefront of the response to the pandemic. Decisions we make and advice we give may have an impact upon our reputation which may hinder our ability to carry out our work.	**Mitigations in place:** • An audit trail of decisions and advice given to governments and inter-governmental organisations. • Media and social media monitoring, with risks flagged and escalated as required. • Proactive engagement with media and social media. **Planned mitigations:** • No new mitigations. **Oversight by:** Director of Wellcome.
Operational		
Cyber security	An immature cyber security environment coupled with inadequate user access controls could result in a successful cyber attack penetrating into our technology systems.	There were no phishing events reportable and we reported one minor data loss to the Information Commissioner's Office. **Mitigations in place:** • Security awareness training. • Expansion of the use of a managed security service provider providing 24-hour event collection, monitoring and escalation services. **Planned mitigations:** • User testing through phishing simulation. • Implementation of Role-Based Access Control. **Oversight by:** • Chief Information Officer. • Digital and Technology Audit and Governance Group. • ELT Operations Sub-Committee.

Key risks continued

Risk decreasing Risk stable Risk increasing New risk

Risk	Description	Mitigating activities and oversight
Operational		
Staff wellbeing (Risk increasing)	Significant internal and external factors, such as the global pandemic and organisational change, may have the potential to impact on the wellbeing of staff.	**Mitigations in place:** • Prioritisation of workloads by ELT and line managers. • The option of bringing in temporary resources where helpful. • Encouragement to take at least 15 days of annual leave in the year. • A number of resources to support individuals to manage their wellbeing including an employee assistance programme, mental health resources and wellbeing champions. • A comprehensive Covid-19 policy, as well as regular staff surveys on how people are coping with hybrid working. **Planned mitigations:** • Implementation of longer-term plans for how we embed wellbeing into the new culture. **Oversight by:** • Director of People.
Increased demand for the Digital and Technology (D&T) function (New risk)	Due to the significant increase in demand, D&T may be unable to provide the required expertise to meet all of Wellcome's IT and associated business needs, which could result in disruption to the business-as-usual IT service delivery as well as delay in work for future key business improvements and resilience.	**Mitigations in place:** • A future technology roadmap that will articulate the technology and required external service providers to ensure appropriate digital provision and resilience for its evolving business needs. **Planned mitigations:** • Acceleration of recruitment for D&T. • Prioritisation of activities. **Oversight by:** • Chief Information Officer.
Legal & Governance		
GDPR Regulation (Risk decreasing)	Wellcome may be unable to demonstrate compliance with UK data protection regulations.	**Mitigations in place:** • Policies and procedures to ensure compliance with data protection legislation at Wellcome. • Mandatory data protection training for all staff. **Planned mitigations:** • No new mitigations. **Oversight by:** • Chief Information Officer.

Third line – Internal audit

Welcome has an in-house Internal Audit function. Co-source internal audit partners provide specialist skills to supplement the in-house team.

Internal audits are performed based on a risk based internal audit plan, inline with the Internal Audit Charter. The plan is reviewed and approved by the Audit and Risk Committee prior to implementation.

Internal audits assess the design and operating effectiveness of internal controls and review risk culture in the area reviewed.

An internal audit opinion is presented to the Audit and Risk Committee annually. In March 2021, the opinion concluded that, while further improvement in the control environment was needed to ensure the achievement of Wellcome's objectives, there had been signs of improvement, noting controls around established transactional processes operate effectively in Investments, core finance processes, and long-standing response-mode funding.

Management has agreed a planned programme of activities to strengthen the three lines, including enhancements to operational controls, systems and processes, and improving the risk culture of the organisation to address the highlighted weaknesses. Implementation of the programme is an objective of members of ELT and senior management across Wellcome, as it is critical to effective delivery of the new strategy.

Remuneration report

Wellcome develops and maintains remuneration strategies and policies in line with the strategy, culture and objectives of the organisation. Our aim is to attract, retain, motivate and effectively reward our people and recognise their contribution to Wellcome's overall mission.

Our key principles are that remuneration should be:

- **Competitive and market-facing**: salaries are benchmarked using external market data appropriate to the sector in which people work. We use trusted providers to secure the pay data and advice required. Willis Towers Watson (WTW), QCG and UCEA provided salary benchmarking data. WTW also provided specific data and advice on the pay of our Executive Leadership Team (ELT), as did McLagan on the remuneration of our Investments team. Furthermore, PwC advised us on the production of our gender and ethnicity pay gap data.
- **Performance-linked**: individual performance and behaviours are assessed for the award of bonuses during the annual pay review.
- **Simple and transparent**: our remuneration structure and policy are openly communicated to colleagues. Our bonus scheme is open to all employees, except to the Investments team which has a dedicated scheme. Benefits are the same for all colleagues irrespective of their seniority and can be accessed and managed through a portal that also provides a total reward statement.

The remuneration of ELT members is set up in accordance with the pay policy which was introduced in 2020 and covers the entire organisation, with the exception of the Investments team which has its own framework. The policy states that Wellcome is a market-facing organisation. As such, each role is matched to a relevant role in a robust salary survey. A market range is created for each role, using the market median as the midpoint. Willis Towers Watson has been appointed as our adviser and data provider for our executive team. Each ELT role is matched to a survey role and factors such as organisational size and reporting lines are used to identify a suitable pay benchmark. Pay progression is based on the same criteria as for the rest of the organisation, using a grid combining position in the market range and performance. The Remuneration Committee validates ELT base pay at its December meeting. ELT members are eligible to the same bonus scheme as other employees. It is linked to performance ratings. A fixed bonus percentage is awarded for each performance rating. ELT members' performance is reviewed by the Remuneration Committee and bonus levels awarded on that basis.

Elements of remuneration

Wellcome provides a competitive package to attract and retain the talent needed to deliver its mission, while supporting several aspects of its employees' wellbeing.

Financial wellbeing: A salary within a range anchored on the market median; a bonus scheme; a long-term incentive plan (in order to ensure that remuneration of the Investments team remains competitive and to encourage a long-term view, certain employees in that team participate in a Long-Term Incentive scheme where awards to employees are made annually based on investment returns and individual performance over a period of three to five years). Individual and project-based recognition awards made at management's discretion; a defined contribution pension scheme where employees contribute 3% and Wellcome contributes 15% (of which employees can choose to get up to 10% as cash) and a defined benefit pension scheme for which changes are underway (see page 68); a Life Assurance policy of 6 times an employee's salary; a Group Income Protection cover; season-ticket loan; access to discounted shopping and entertainment through Perkbox; access to our restaurants with subsidised food and drinks.

Physical wellbeing: 25 days of holidays; a comprehensive Private Medical Insurance cover; on-site gym (classes and wellbeing support have continued virtually for staff working remotely) with access to a nutritionist, a physiotherapist and massages; a Cycle-To-Work scheme, with regular visits from a bike technician and a dedicated, secure bike garage.

Mental and emotional wellbeing: An Employee Assistance Programme; The Thrive app; Access to Plumm for chat and video therapy; A network of Mental Health First Aiders; Occupational Health; Regular events to develop mindfulness.

Social and community wellbeing: Wellies, our very active social club, organises many events annually. On-site bar; A choir and an annual quiz. Active staff networks and groups: Wellcome Race Equality Network (WREN), LGBTQ+ at Wellcome, Disability Interest Group, Women of Wellcome, Interfaith at Wellcome, Parents and Carers at Wellcome, International Group, and many others.

Pension

The Wellcome Trust Group (the Group) sponsors two approved funded defined benefit schemes: the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. Pensions payable are related to length of service, salary and level of personal contribution. Changes to the defined benefit scheme are underway and are discussed in more detail in the Remuneration Committee Report on page 68.

The Group also provides a defined contribution Group Personal Pension plan, into which both employee and employer contributions are paid. Since April 2016, new employees are auto-enrolled into the defined contribution scheme.

Governors' remuneration

In accordance with the will of Sir Henry Wellcome, Governors are entitled to receive remuneration from the Trustee, The Wellcome Trust Limited, of which they are directors.

Under Wellcome's Constitution, Governors are entitled to receive a set amount of annual remuneration, adjusted with effect from 1 April each year by an amount equal to the percentage increase recommended by the Review Body on Senior Salaries in respect of the salary pay bands of the Senior Civil Service. A review of this remuneration adjustment mechanism will take place in 2022.

Following approval by the Charity Commission of a scheme in October 2011, the levels of remuneration of Chairs and Deputy Chairs can be set by the Board of Governors at up to 2 and 1.5 times the level of a Governor respectively.

The Remuneration Committee

The Board of Governors appoints the Remuneration Committee, chaired by Amelia Fawcett. The members are all Governors, all of whom are excluded from any discussion which affects their own pay. The Committee ensures that remuneration practices and policies facilitate the employment and retention of talented people.

The core responsibilities of the committee are to approve key remuneration principles, the reward strategy and policies for remuneration of employees including incentive and benefit plans, and to determine individual remuneration packages and terms and conditions of employment for members of the ELT and other senior staff.

The Remuneration Committee Report, on page 68, includes key decisions made by the committee throughout the year, including changes to our organisation design and our defined benefit pension scheme.

In addition, the committee exercises any powers, and approves any decisions required by Wellcome, in respect of the Wellcome Trust.

Governors' remuneration
Year to 30 September

	2021 £	2020 £
Julia Gillard (Chair from 12 April 2021)	**90,013**	-
Eliza Manningham-Buller (Chair until 11 April 2021)	**74,822**	142,108
Michael Ferguson (Deputy Chair until 31 December 2021)	**106,581**	106,581
Tobias Bonhoeffer (until 31 August 2021)	**65,133**	71,054
William Burns (until 30 April 2020)	**-**	41,448
Arup Chakraborty (from 1 May 2021)	**29,606**	-
Amelia Fawcett	**71,054**	71,054
Richard Gillingwater	**71,054**	71,054
Bryan Grenfell (retired 31 August 2021)	**65,133**	71,054
Gabriel Leung (from 1 May 21)	**29,606**	-
Fiona Powrie (Deputy Chair from 01 January 2022)	**71,054**	71,054
Cilla Snowball	**71,054**	71,054
Elhadj As Sy	**71,054**	53,291
Total remuneration	**816,164**	769,752

Expenses in respect of travel, subsistence, telephone and sundries incurred by the Governors in the course of their duties amounted to £16,640 (2020: £84,502) of which all was paid directly by Wellcome (2020: £76,455). No expenses were paid by the Governors and directly reimbursed to them (2020: £8,047).

The decrease in the expenses paid this year is driven by a reduction in travel costs due to the global pandemic. No pension contributions were paid in respect of the Governors.

The Governors were included in the Directors' and Officers' liability insurance in the year to 30 September 2021.

Remuneration of key management personnel
Year to 30 September

	2021 £	2020 £
Director of Wellcome	**515,216**	483,788
Executive Leadership Team (excluding Investment Executive)	**2,462,885**	3,111,691
Investment Executive	**15,767,536**	9,166,052
Employer pension contributions (for relevant staff)	**376,673**	478,921
Employer National Insurance Contributions (for relevant staff)	**753,813**	811,968
	19,876,123	14,052,420

Key management personnel

The key management personnel of the Wellcome Trust Group and Wellcome have been defined as the Board of Governors and the ELT (including the Investment Executive, who are responsible for decision-making in respect of the investment portfolio). The roles and responsibilities of the Board of Governors and the ELT are discussed in the Structure and Governance section on pages 41.

The total consideration includes salaries, benefits in kind, bonuses, amounts accrued under long-term incentive plans, termination payments, employer pension contributions and Governors' remuneration. The determination of the remuneration of the Governors is discussed above.

The remuneration of members of the ELT is determined in accordance with the key principles for all staff laid out in the introduction to this report. The remuneration of the Investment Executive is discussed opposite.

Details of the number of employees working on the charitable activities of the Group whose total benefits (excluding employer pension contributions) fall within specific £10,000 bandings, where benefits exceed £60,000, are shown within the Financial Statements under note 11(d).

Investments team

Wellcome manages the investment portfolio that underpins our charitable activities. The internal Investments Team, including the Investment Executive, manages a large proportion of Wellcome's investments directly rather than through external fund managers. Due to the size, breadth and long-term nature of our portfolio, Wellcome can attract and retain a highly skilled group of investment professionals.

With the right leadership and approach, this group has been able to generate superior returns and incur lower costs than would be the case if this activity were outsourced to traditional asset management organisations. The performance of the portfolio supports this approach.

Members of the Investments team are remunerated through their base salary, supported by significant variable elements based directly on the performance of the portfolio. These variable elements are either in the form of an annual bonus or, more significantly, long-term incentive plans, as detailed above. The structure and quantum of remuneration is benchmarked on an ongoing basis using market data and external consultants. Details of the number of employees working on the investment activities of the Group whose total benefits (excluding employer pension contributions) fall within specific £10,000 bandings, where benefits exceed £60,000, are shown within the Financial Statements under note 5(b).

McLagan provided an asset management sector overview to benchmark pay and reward proposals for the Investment team to provide assurance that the pay and reward package was appropriate to attract and retain excellent staff, while also recognising Wellcome's charitable status.

Remuneration Committee Report

As the Chair of the Remuneration Committee, I am pleased to present our report for the year ended 30 September 2021. This report summarises the work of the committee over the past year in fulfilling our responsibilities to provide effective governance over the remuneration of our employees.

Effective committee governance

The membership of the Remuneration Committee is set out in the Reference and Administrative Details section (page 139). The committee said goodbye to Eliza Manningham-Buller and was thankful for all her contributions as a member of the committee. And we welcomed Julia Gillard as a new member of the committee. The Director and the Director of People are not members of the committee, however they attend each meeting save for discussions on their own pay, when they are absented. After each committee meeting, the Board of Governors receives a report on the key issues discussed.

During the year the committee's focus was on:

Organisation design

The Remuneration Committee received reports and monitored the implementation of a new organisation design to deliver the new strategy. This included the redesign of the Executive Leadership Team (ELT) and the Senior Leadership Team in 2020 and the putting in place of a new organisation structure with teams and roles aligned to our new strategy. The new structure went live on 6 September 2021. The committee was particularly focused on the equality, diversity and inclusion impact of designing and implementing the new structure.

Pay and reward

The Remuneration committee monitored the implementation of the new reward structure which aligned with the new organisation design. The Committee agreed the remuneration of the ELT and the Investments team with the support of external benchmark data. In addition, they approved both the annual staff salary review and the annual gender and ethnicity pay gap reports.

Proposal to close the defined benefit pension scheme to future accrual

At its meeting on 7 December 2020 the Remuneration Committee considered and approved a request from the ELT to consult on closing the Defined Benefit (DB) pension scheme to further accruals. The Remuneration Committee agreed at its meeting on 12 October 2021, post pension consultation, to validate the ELT's decisions regarding the DB plan pension. Members will be given the opportunity to join the Wellcome Defined Contribution (DC) pension plan. The DB pension plan closed to new members in April 2016. The principal reason for this new consultation on closure is equity. Namely, that employees on the same salary should benefit equally from the pension provided by Wellcome. Other key factors taken into account were the relative running costs compared with the DC Plan and the long-term exposure to changes in costs (volatility). The Governors and ELT agreed that, although Wellcome can afford this cost, the Wellcome leadership has a responsibility to spend Wellcome's money equitably, responsibly and fairly. Consultation closed on 12 August 2021 following a one-month extension to allow more time for staff to provide their feedback on the proposal.

Following the DB Plan pension consultation, the Remuneration Committee decided to close the scheme to future accruals as of 30 June 2022.

The feedback received during the consultation led to revisions to the proposal. For instance, we will increase the Death in Service lump sum for all employees (this will pay a lump sum of eight times base pay instead of currently four times in the DB Plan and six times in the DC Plan).

The DB Plan Trustees have agreed to work with Wellcome to make the necessary amendments to implementing this change and we will work with them to ensure the accrued DB fund continues to be managed responsibly.

During 2022, we will implement a DB transition support plan and a DC support programme for all pension members.

Committee meetings during the year.

The committee formally met three times during the year.

Amelia Fawcett
Chair of the Remuneration Committee
10 January 2021

Nominations and Governance Committee Report

As the Chair of the Nomination and Governance Committee (NGC), I am pleased to present our report for the year ended 30 September 2021.

During the year the committee led on the search for Governors with a science background to replace several Governors who are coming to the end of their terms. Following a rigorous international search, Arup Chakraborty and Gabriel Leung joined the Board in May 2021, and Ijeoma Uchegbu joined in November 2021. We also said farewell to two Governors in August 2021 – Bryan Grenfell and Tobias Bonhoeffer – who had both joined the Board in 2014. The committee thanks Bryan Grenfell for his significant contributions to the NGC. We welcomed Elhadj As Sy as a member of the NGC in December 2021. The membership of the committee is set out in the Reference and Administrative Details section (page 139).

The selection process for a new Deputy Chair was initiated, given Mike Ferguson's retirement in December 2021, with the NGC developing the role profile before it was approved by the Board. Fiona Powrie was appointed as Deputy Chair from 1 January 2022. The committee also considered a succession plan for Governors to 2025 and will continue to focus on equity, diversity and inclusion, and skills in the appointment process, ensuring that selection panels and shortlists are appropriately representative.

Board effectiveness and governance review

In line with the principles of good governance set out in the Charity Governance Code for large charities and the UK Corporate Governance Code 2018, the Board of Governors undertook an internal board effectiveness review/self-evaluation using a questionnaire covering the Board and committees in autumn 2021, and agreed to undertake an externally facilitated review of its effectiveness and governance in 2022. Procurement for an independent provider to carry out the external review next year was done through an RFP process. The committee reviewed the RFPs and made a recommendation to the Board on the selection of the provider. Interviews with the shortlisted providers were carried out and the Board approved the final selection. The outcomes of the review will inform the Board and enable it to agree actions to take forward any opportunities to improve our governance.

Staff and stakeholder engagement

The committee nominated Cilla Snowball as its Stakeholder Champion to work with the Executive Leadership Team on the development of proposals for staff and stakeholder engagement to aid the rollout of the new strategy and to facilitate more effective Board and organisation-wide decision-making. The committee is overseeing the development and monitoring of a dashboard of objectives and targets to codify progress.

I want to express my thanks to Eliza Manningham-Buller, my predecessor as Chair of the NGC and to thank members of the committee for their input into the design of my induction programme as Chair of Wellcome and for welcoming me as Committee Chair in April 2021.

Committee meetings during the year

The committee formally met three times during the year and held several informal meetings to progress recruitment issues.

Julia Gillard
Chair of the Nominations Committee
10 January 2021

Investment Committee Report

As the Chair of the Investment Committee, I am pleased to present our report for the year ended 30 September 2021. The Investment Committee's role is to act as an advisory and oversight body of the Board of Governors on investment matters. This report summarises the work the committee has done over the past year in fulfilling our responsibilities.

There have been no changes to the membership of the Committee over the past year. There is an impressive depth and breadth of experience among our five external members, Stefan Dunatov, Tracy Blackwell, Martin Halusa, Cressida Hogg, and Girish Reddy, which has enriched our discussions and been of great value.

Activities during the year

The Investment Committee met in December 2020 and in March, May and September 2021. At each meeting, it reviewed the positioning and performance of the investment portfolio in the context of prevailing investment market conditions and the evolving macro-economic and geopolitical environment. All meetings were held virtually given the continuing Covid-19 pandemic and the closure of Wellcome's headquarters until October 2021.

At the December 2020 meeting the committee made its annual consideration of the outlook for long-term returns and reviewed currency risk limits. A recommendation was made to the Board to remove the 15% minimum holding in Sterling, which was approved and implemented. In its oversight role, the committee has examined correlations and performance attribution; Internal Audit reviews of internal controls and third-party oversight in Investments; adherence to risk limits; resourcing of the Investment team; counterparty limits; arrangements for safekeeping of assets; and costs and fees incurred in managing the portfolio.

At the meeting in March 2020, there was an important discussion of the proposal from the Investment Executive to implement a strategy to move the investment portfolio to carbon net zero by 2050 at the latest. The committee strongly supported this proposal and recommended it to the Board, which subsequently approved it. The committee will continue to monitor progress towards this goal in the coming years.

Other topics of discussion during the year have included the investment executive's broader approach to environmental, social and governance factors, based on an assessment of companies' and managers' "licence to operate"; detailed reviews of composition and performance of the buyout fund portfolio and the co-investment portfolio; a discussion on the changing investment environment in China facilitated by an external speaker; a deep dive into our hedge fund exposure; and a review of the appropriate division of responsibilities between the Investment Committee and the Audit and Risk Committee.

The Investment Committee provided constructive challenge to the Investment Executive at each meeting, and members have also been generous with their time in providing additional input and advice between meetings. The committee were very pleased with the investment performance during the year and congratulate the Investment Team on an extraordinary outcome.

Richard Gillingwater
Chair of the Investment Committee
10 January 2021

Audit and Risk Committee Report

As Chair of the Audit and Risk Committee I am pleased to present our report for the year ended 30 September 2021.

Overview of the year

In 2021 the main activities of the Committee included oversight and monitoring of the following:

- The controls environment, including supporting the development of a strong and embedded governance and risk management culture.
- Improvements to the management of residential assets, including the introduction of an internal property board and improved reporting and oversight of managing agents.
- The Digital and Technology function focusing on cyber security maturity and cyber risks, GDPR and phishing testing and implementation of the roadmap to support Wellcome in achieving its aspired IT maturity levels.
- The new framework for third party supplier contracts where goods and services are provided to Wellcome, excluding grants and partnerships.
- The roadmap for implementing a revised risk management framework, including development and implementation of a common risk management framework and risk appetite that will be applicable across the organisation.
- The corporate risk register, working with the Head of Risk to develop a dynamic document focusing on the management of key organisational risks and driving change; considering the resilience to cyber incidents was adequate.
- The safeguarding roadmap, which included the appointment of a Safeguarding Lead to the Ethics, Governance and Compliance leadership team.
- The transition to the new strategy and organisational design, which included oversight of an implementation dashboard.
- Wellcome's investment in Urban&Civic, including oversight of the valuation and risk management.
- The outcomes of an investment systems review and next steps.

The committee undertook deep dives on the following areas:

- The strategy implementation programme, including progress on the overall programme, key milestones, major risks and programme governance.
- The internal audit of the strategy programme.
- The strategy implementation dashboard, a key tool in monitoring progress on delivery of the programme and management of risk and assurance.
- The organisation development programme, including implementation timetable and monitoring of key risks.
- The internal audit opinion on the control environment, noting that many of the actions identified by management to improve the control environment relate to the strategy implementation and will be tracked through that work.
- A proposed third party risk management framework, which covered third party supplier contracts where goods and/or services are provided to Wellcome (excluding grants and partnerships).

The committee endorsed the draft Risk Appetite statement for submission to the Board of Governors, subsequently approved by the Board in June 2021.

Significant financial reporting issues and judgements

The use of assumptions or estimates and the application of management judgement is an essential part of financial reporting. In 2020/21, we focused on the following significant reporting matters in relation to financial accounting and disclosures:

Issue, judgement or estimate	Action taken by the committee	Outcome
Unquoted investment valuations	Consideration of the sensitivity analysis performed by management for any valuations subject to significant estimation uncertainty; Review of the Valuation Group papers and attendance at the Valuation Group meetings by a member of the committee. Review of the audit approach adopted by Deloitte as summarised in their report.	The committee concluded that the valuation methodology and the valuations recommended by the Valuations Group were appropriate, noting that there were 6 investments where Management performed internal assessments of co-investor valuations and 2 investments without a co-investor where management prepared the valuation that were not material in the context of this asset class.
Investment property valuations	Consideration of the sensitivity analysis performed by management for any valuations subject to significant estimation uncertainty; Review of the Valuation Group papers and attendance at the Valuation Group meetings by a member of the committee. Review of the audit approach adopted by Deloitte as summarised in their report.	The committee concluded that the valuation methodology and the valuations recommended by the Valuations Group were appropriate, noting the use of the several external valuers for the elements of the portfolio and management's review of the assumptions used by the external valuers.
Grant liabilities	Review of management's recommendation to discount the grant liabilities using the expectation of the long-term return of Wellcome's investment portfolio and the appropriateness of the rate used. Review of the audit approach adopted by Deloitte as summarised in their report.	The committee noted the sensitivity analysis that had been done to cover the various elements that impact the calculation and concluded that these were reasonable and provided a fair indication of the possible range of outcomes.
Defined benefit pension liabilities	Review of the assumptions provided by Mercers and reviewed by management.	The committee concluded that the assumptions were reasonable and appropriate to the group's risk and member profile within the context of FRS 102, noting management's review of the assumptions provided by Mercers.
Non-charitable investment subsidiary undertakings, associates and joint ventures held as part of the investment portfolio	Review of management's judgement in assessing which subsidiary undertakings, associates and joint ventures are held as part of the investment portfolio. Consideration of the sensitivity analysis performed by management for any valuations subject to significant estimation uncertainty; Review of the Valuation Group papers and attendance at the Valuation Group meetings by a member of the committee. Review of the audit approach adopted by Deloitte as summarised in their report.	The committee noted that these entities are valued at fair value using external valuer reports, management's review of the assumptions used by the external valuers and that while Wellcome has board representation in these entities, their operations were managed independently from Wellcome.

How the responsibilities of the Audit and Risk Committee have been addressed

At the December 2021 meeting, members of the committee formally reviewed their activities during the year and were satisfied that they had taken adequate consideration of their responsibilities as laid out in the Terms of Reference.

External audit

Oversight

At the June meeting each year, the committee discusses with the auditors the scope of their audit and makes recommendations to the Board before the audit commences. The significant financial reporting risks, some of which are those listed in the table above, are considered by the committee to be:

- the valuation of unquoted investments relating to direct investments, unconsolidated subsidiary investments (Urban&Civic, Premier Marinas and Farmcare), and the farm assets (agricultural estates)
- management override of controls (a risk in any organisation)
- the rate of discount selected to discount the grant liabilities

In addition to the points noted under the review of significant activities during the year, our interactions with Deloitte LLP included:

- consideration of their work and opinion relating to management judgements
- consideration of the impact of the revised Ethical Standards for auditors on the auditor's review of Going Concern at a group and subsidiary level
- consideration of the use of alternative audit firms for certain subsidiaries if appropriate
- discussion on the level of disclosure in the Annual Report to satisfy ourselves that it is appropriate
- meetings in private session during each committee meeting, and at other times throughout the year, to discuss external and internal developments and issues.

Audit quality and independence

The Audit and Risk Committee seeks to ensure the continued independence and objectivity of Wellcome's external auditors. At the April meeting each year, it reviews the performance of the external auditors and the quality of the audit work, discusses this with management and recommends their reappointment if appropriate.

At the April, June, September, and December meetings each year, the committee reviews the auditor's report about independence of its staff, its policies for maintaining staff independence and monitoring compliance with relevant requirements. The external auditors were appointed for the year ending 30 September 2016 and have been reappointed for each subsequent year. The external audit partner will complete 5 years of continuous engagement in the current year and a new external audit partner will undertake the engagement in the following year.

Non-audit services

Wellcome management has a policy on any non-audit services provided by our external auditors, which takes into account the relevant EU regulations and directives, the FRC "Guidance on Audit Committees" and the "Revised Ethical Standard", and which has been approved by the Committee.

Non-audit services were under review throughout the year to determine that they were permitted by reference to their nature, assessing potential threats and safeguards to auditor independence, as well as the overall ratio of non-audit to audit fees which was well within the 70% cap applicable to public interest entities (see note 10).

The committee is satisfied that Deloitte remain independent and that the level and nature of any non-audit services is appropriate.

Financial reporting

At the December meeting each year, in line with its Terms of Reference the committee reviews the Annual Report and Financial Statements (ARFS) and related announcements for statutory and regulatory compliance. In particular, it reviews the integrity of the disclosures in the Financial Statements and considers the appropriateness of the investment valuations recommended by the Valuation Group. The Valuation Group is responsible for reviewing investment valuations and reports its views to the committee to assist in its approval of such documents. The committee also considers the overall tone of the ARFS and related announcements, including consideration of reputational risk and the messaging of the activities during the financial year.

Based on the work done, the committee recommended to the Board of Governors that the Annual Report taken is fair, balanced, and understandable. In justifying this statement, the committee has considered the robust process in place:

- Clear guidance is given to all contributors in the form of timetables and detailed requirements.
- Revisions to regulatory requirements are monitored on an ongoing basis and are discussed at the Audit and Risk Committee meetings throughout the year.
- Wellcome's Finance team meet with the auditors throughout the year to discuss developments within the business and any impact on the financial reporting. In 2021 this included discussion of the impact of the Revised Ethical Standards on the auditing of Going Concern and managements challenge of judgements.
- A thorough process of review, evaluation and verification is undertaken by senior management and staff with expertise across the organisation.

Internal audit

- Reviews were performed remotely due to the impacts of Covid-19.
- The function was subject to an external quality assessment by Grant Thornton, which highlighted that the function's structures, policies, and procedures of the activity conform with the requirements of the Institute of Internal Auditors or element of the Code of Ethics in all material respects.
- The function delivered embedded assurance reviews throughout the Wellcome organisational design process.
- Internal Audit reports functionally to the Audit and Risk Committee and administratively to the Chief Operating Officer.

Welcome has an in-house Internal Audit function which is supported by co-source internal audit partners, who provide specialist skills to supplement the in-house team. The Audit and Risk Committee directs and oversees the activities of the Internal Audit function, which includes considering the resourcing and skills of the internal audit team and the independence of the function.

Internal audits are performed based on a risk-based internal audit plan, in line with the Internal Audit Charter. The plan is reviewed and approved by the Audit and Risk Committee prior to implementation. The 2021/22 plan was endorsed by the committee during the September 2021 Audit and Risk Committee meeting. The plan is regularly reviewed and updated based on organisations, decisions, business activities, industry trends, best practice and regulatory matters.

The Head of Internal Audit reports to the Audit and Risk Committee at least quarterly and more frequently as appropriate. At each meeting the committee reviews an update on the audit reports completed and observations identified, progress on completion of actions arising from the audit, and performance of the Internal Audit function.

In 2021, an interim Head of Internal Audit (Ernest Ofei) was appointed. A large proportion of Internal Audits were conducted remotely, due to the impacts of the Covid-19 pandemic and the function delivered embedded assurance reviews throughout the Wellcome organisational design process. In September 2021, The Audit and Risk Committee approved an increase in headcount by five, to increase in-house capabilities, particularly in investments, technology, and data.

Internal audit is also provided for Wellcome's subsidiaries (Genome Research Ltd, Premier Marinas, Farmcare, Urban&Civic) and reported in the respective Audit and Risk Committees.

Risk management

Considerable progress has been made to mature the risk management and control framework at Wellcome, and to ensure that a strong risk management culture is embedded throughout the organisation. A review of risk management was completed and a roadmap of improvements was reviewed and approved by the committee and is starting to be implemented. The committee approved a revised risk appetite statement for Wellcome, which was subsequently approved by the Board of Governors and is in the risk management section (page 71). An inaugural exercise was undertaken to identify, discuss and monitor emerging risks which are of significance to Wellcome; this is in addition to the key corporate risks that ELT, the Audit and Risk Committee and the Board of Governors already review. The corporate risk register continues to be refined and provides the committee with an effective view of the current risks, actions and progress made to manage the largest risks facing the organisation. Our Speak Up culture continues to mature. We believe staff see it as a trusted mechanism to raise concerns. Significant progress has been made to address a number of risks, especially those relating to GDPR and cyber security.

Amelia Fawcett
Chair of the Audit and Risk Committee
10 January 2021

Independent Auditor's Report to the Trustee of the Wellcome Trust

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Wellcome Trust (the 'Trust') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 30 September 2021 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements which comprise:

- the consolidated statement of financial activities;
- the consolidated and Trust balance sheets;
- the statement of financial activities of the Trust,
- the consolidated cash flow statement;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Trust.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key Audit Matters	The key audit matters that we identified in the current year were: • Valuation of unquoted investments relating to controlled unconsolidated investments (Premier Marinas, Urban&Civic and Farmcare) and farm assets (Agricultural Estates including The Wellcome Genome Campus at Hinxton) and the resulting unrealised gains/losses related to these investments • Valuation of unquoted investments relating to direct investments, and the resulting unrealised gains/losses related to these investments • Risk of the grant liability being misstated due to an inappropriate discount rate being applied Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £362.0m which was determined on the basis of 1% of net assets.
Scoping	Our Group audit scope included the audit of all subsidiaries that accounted for more than 1% of the Group's net assets as well as any subsidiary that required a statutory audit. This meant that 99% of the Group's net assets were subject to a full scope audit for the year ended 30 September 2021. The Trust and all subsidiaries are based in the UK.
Significant changes in our approach	In the current year, we have added Urban&Civic within the valuation of unquoted investments relating to controlled unconsolidated investments, following the acquisition of Urban&Civic by the Trust in Q1 2021. There have been no other significant changes in our approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Trustee's assessment of the Group and the Trust's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's assessment of the Group and Trust's ability to continue as a going concern, including consideration for the level of financial risk and complexity of the Group and Trust's operations;
- assessing the liquidity position to support management's assessment of the Group and Trust's ability to continue as a going concern through our audit procedures performed on the balance sheet, including agreeing cash to confirmations from banks, agreeing the timing of bond repayments to the underlying terms of the bond to assess whether the Group and Trust will have sufficient liquidity to meet its obligations, assessing the liquidity of the investments held and inspecting post year end bank statements;
- evaluating management's future plans, including budgets and projections, liquidity analysis and funding approach and assess if they are in line with our expectation given our knowledge of the Group and Trust;
- evaluating management's stress test analysis on key assumptions in their projections; and
- consideration of management's assessment of any significant subsequent events after the reporting period, prior to signing of the annual report, that might impact the Group and Trust's ability to continue as a going concern for at least twelve months from the date of signing the annual report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of unquoted investments relating to controlled unconsolidated investments (Premier Marinas, Urban&Civic and Farmcare) and farm assets (Agricultural Estates including The Wellcome Genome Campus at Hinxton) and the resulting unrealised gains/losses related to these investments

Key audit matter description	The valuation of Premier Marinas, Urban&Civic, Farmcare and Agricultural Estates, including The Wellcome Genome Campus at Hinxton involves significant judgement when determining the valuation approach and the estimation of key inputs and assumptions. As a result of this judgement, there is more potential for fraud or error in this area. Management engage with external experts to produce valuation reports for these assets. There are few comparable transactions for alternative real estate assets such as marina assets or land developments and therefore this increases the degree of estimation in determining the fair value of those assets. The following have been identified as the primary inputs into the externally prepared valuations: • the growth rate assumptions which drive the future cashflows for Premier Marinas; • the future sales price and cost forecasts within the discounted cash flow valuation for Urban&Civic. • the rate per acre for Farmcare and Agricultural Estates and the forecasted development value and development costs for The Wellcome Genome Campus at Hinxton. There is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unquoted investments, and therefore, unrealised gains and losses being materially misstated. The valuation of Premier Marinas, Urban&Civic, Farmcare and Agricultural Estates including The Wellcome Genome Campus at Hinxton amount to £1,354 million (2020: £540 million), which is 7.2% (2020: 3.9%) of the Group's unquoted investments, and 3.7% (2020: 1.9%) of the Group's net assets. The Audit and Risk Committee Report on page 72 identifies the valuation of non-charitable investment subsidiary undertakings, associates and joint ventures held as part of the investment portfolio' as a main area of risk. The significant accounting judgements with respect to the Group's fair value measurement and valuation policies are described in notes 2 and 15.
How the scope of our audit responded to the key matter	In responding to the key audit matter arising when determining the fair value of unquoted investments relating to controlled unconsolidated investments, we performed the following procedures: **Controls Assessment** • We obtained an understanding of the relevant controls for all investment categories. We tested and relied on controls for Premier Marinas, Farmcare and Agricultural Estates including The Wellcome Genome Campus at Hinxton. • In performing this work, we obtained and reviewed policies and processes by which the investments are valued, reviewed and attended Valuation Group meetings to understand how ongoing monitoring, challenge and reassessment of valuations was performed. **Substantive testing** • We obtained and reviewed 30 September 2021 external valuation reports and assessed whether the valuation approach for each was in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. We assessed the objectivity, qualifications and capabilities of the third party valuers. For Premier Marinas, Farmcare and Agricultural Estates, we compared 2020 and 2021 reports to identify any changes in methodology or approach year on year and whether the methodology selected was appropriate. • We involved internal real estate specialists as part of our audit team to review the third party valuation reports. We challenged the key estimates made in management's valuation against our expectations, our own market intelligence and external information (e.g. growth assumptions used to drive future cashflows in Premier Marinas, and comparable data in Urban&Civic, Farmcare and Agricultural Estates including The Wellcome Genome Campus at Hinxton). We considered the possible effect of Covid-19 and Brexit on market assumptions and stress tested key assumptions to understand their effect on the overall valuation and to determine that our substantive testing sufficiently addressed the risk. • In addition, for a sample of valuation models, with the assistance of our internal real estate specialists we recalculated the model to evaluate their mathematical accuracy. • Specifically for Premier Marinas: we determined whether data used to derive future cashflows was appropriate given our understanding of the business which includes agreeing current performance, obtaining an understanding of future budgets and developments in the business; and any indicators in the market that were contradictory to managements forecasts, including the growth rate assumptions applied by management in the forecasts. • Specifically for Urban&Civic: we determined whether data used to derive future cashflows was appropriate given our understanding of the business, and for a sample of assets we obtained relevant third party data to support future sales prices and cost projections that drive the valuation. • Specifically for Farmcare and Agricultural Estates: we determined whether the data used was appropriate given our understanding of the business, and we obtained relevant comparable market data to support the rate per acre used in the valuation of the agricultural estates, and the passing rent used in the valuation of the agricultural properties. • Specifically for The Wellcome Genome Campus at Hinxton within Agricultural Estates, we have obtained relevant supporting data for the planning permission and reviewed comparable market data to support the ultimate position of the projected cash flows. • We performed testing over the accuracy of underlying inputs into the valuation models. • We back tested previous estimates by made by management by comparing them to actual results to assess management's ability to provide accurate estimates for Premier Marinas, Farmcare and Agricultural Estates. • We performed market analysis for contradictory evidence to challenge management on the conclusions reached. • We sampled purchases and sales during the period and traced these to supporting documentation; based on this procedure and the above procedures we recalculated the gains and losses associated to assess the accuracy thereof.
Key observations	As a result of our procedures, we concluded that each of the assumptions used by management to estimate the valuation, and therefore unrealised gains/losses, of Premier Marinas, Urban&Civic, Farmcare and Agricultural Estates, including The Wellcome Genome Campus at Hinxton are within a reasonable range. We note that Premier Marinas is at the upper end of the range, Urban&Civic is at the mid-point of the range and Farmcare and Agricultural Estates sit between the mid-point and the upper end of the range.

5.2. Valuation of unquoted investments relating to direct investments and the resulting unrealised gains/losses related to these investments

Key audit matter description	The valuation of unquoted direct investments requires significant estimation as the values are derived from unobservable inputs and assumptions. As a result of these estimates, there is more potential for fraud in this area. As per management's investment valuation policy where there is a co-investor, the values are obtained from them and are challenged by management obtaining an understanding of the methodology applied and assumptions made and additional scrutiny is applied by the performance of a shadow valuation, where management have formed their own view of a reasonable range for valuing the underlying investment. Where there is no co-investor, the values are based on internal models and for any significant values, an external valuer is engaged to opine on the value. As these underlying valuations are sensitive to these unobservable inputs and assumptions, there is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate market assumptions could result in the valuation of unquoted investments being materially misstated, this includes appropriately reflecting the impact of COVID-19 on company performance and evaluating any discounts applied to businesses as a result. These estimates and assumptions over investments subsequently drive the changes in unrealised gains and losses. The valuation of the Group's investments in unquoted direct investments amounts to £1.87 billion (2020: £1.39 billion) which is 11.0% (2020: 10.1%) of the Group's unquoted investments, and 5.2% (2020: 5.0%) of the Group's net assets. The Audit and Risk Committee Report on page 72 identifies the valuation of unquoted investments as a main area of risk. The significant accounting estimate with respect to the Group's fair value measurement and valuation policies are described in notes 2 and note 15.
How the scope of our audit responded to the key matter	We assessed Management's valuation methodology and considered whether it was in accordance with the accounting policies of the Trust, applicable accounting standards and industry practice. **Controls Assessment** • We obtained an understanding of the relevant controls and tested those controls. This included gaining an understanding of the procedures performed by Management during the year related to the ongoing monitoring of co-investors to obtain understanding of the methodology applied and assumptions made. We have assessed and tested the controls in place for instances where management have performed a shadow valuation to form their own view of a reasonable range for valuing the underlying investments. When required by their investment policy, an external valuer has been engaged to provide assurance of the valuation of specific investments, we have tested controls in relation to management's oversight of external valuers. We have tested the processes by which valuation approaches are continually re-assessed and challenged by the Valuation Group. • We reperformed Management's review for a sample of investment assets by inspecting documentation to determine whether valuations were challenged based on recent knowledge of the investments, shadow valuations performed, any relevant independent valuations obtained and information gained through calls with key management personnel of the co-investors; • We inspected documentation and attended the July and November 2021 Valuation Group meetings to evidence that the Valuation Group has reviewed and reasonably challenged the valuation of investments at year end, as presented by Management and as recorded in the financial statements. **Substantive procedures** • For selected samples, we independently obtained and reviewed the unquoted direct investments valuation statements to determine whether the value recorded by the Group was appropriate. • We challenged Management's assessment of the valuation assumptions and appropriateness of valuation methodologies used to determine the fair value by: – either assessing recent transactions in the market or using a market comparable approach to inform our challenge of management. This includes determining if any discounts applied to the valuation are appropriate; – obtaining, where available, management's shadow valuation and challenging the market comparable, completeness of the basket used and incorporation of other evidence available; – examining the previous period's audited financial statement for the co-investment vehicle that houses a direct investment and the financial statements of the direct investment itself, to inform us of any subsequent events and going concern issues; – obtaining an understanding of current year performance and whether any events have occurred that may have an impact on the valuation. We have also assessed any effect of COVID-19 on company performance and long term outlook including changes in industry trends or markets, and assessed whether these have been appropriately reflected in the valuation as at 30 September 2021; – assessing the fair value of investments which were sold in the year against the value at which they were held previously to determine management's historical ability to determine the fair value; – assessing the co-investor where used, to determine if they are reputable and reliable partners. This includes testing the accuracy of the co-investors' valuations in previous periods, by comparing the 30 September 2020 and 31 December 2020 valuation statement to the valuation as per the audited accounts which is usually at 31 December 2020; – assessing contradictory evidence to challenge the appropriateness of valuation adopted; • We performed a standback assessment for the overall position of the direct investments to weigh up corroborative and contradictory evidence to challenge appropriateness of management's assumptions; • Where models have been used in the determination of valuations, we have assessed model integrity and accuracy; • We sampled purchases and sales during the period and traced these to supporting documentation; based on this procedure and the above procedures we recalculated the gains and losses associated to assess the accuracy thereof.
Key observations	As a result of our procedures we found the valuations of these investments are at the mid-point of our acceptable range.

5.3. Risk of the grant liability being misstated due to an inappropriate discount rate being applied

Key audit matter description	The discount rate used is identified as a significant estimate in note 2 of the annual report. The discounted portion of the grant liabilities is sensitive to changes in the discount rate applied. The non-current grant liabilities £1,653 million (2020: £1,614 million) are discounted, as per the requirements of FRS 102 and Charities SORP. The discount rate selected and applied by Management is based on Management's expectation of the long-term rate of return of the Trust's portfolio of 7% (2020: 6.1%). The discount rate used should reflect the opportunity cost to the Trust of not earning an investment return on funds granted and its current assessment of the time value of money. The appropriate discount rate depends on the circumstances of the charity and determining this discount rate requires significant estimation concerning future expectations of investment performance and is subjective. The significant accounting estimate with respect to the discount rate is described in note 15 and on page 72 within the Audit and Risk Committee Report.
How the scope of our audit responded to the key matter	**Controls Assessment** We obtained an understanding of the relevant controls in relation to the selection of an appropriate discount rate. This included gaining an understanding of the procedures related to the Board of Governors' and Investment Committee review of Management's papers on the selection of an appropriate discount rate and expected rates of long-term return used in financial planning and budgeting considerations. **Substantive procedures** • We reviewed Management's grant discounting methodology paper and compiled a complete list of assumptions involved in the process. We assessed the assumptions for reasonableness by comparing to underlying data (eg. 'stretch' assumptions were re-calculated using historic data and payment assumptions were agreed to historic payment data). We reviewed Management's paper to the Investment Committee and challenged any year on year changes in approach and the assertions made by Management by: • testing the split of investments stated in the paper and the associated expected investment return of each category; • assessing the stated ranges of nominal rates of return with reference to third party forecasts; and • performing benchmarking on the rate of return by using third party market data in the calculation of the discount rate and determining if variances were material. We tested the arithmetical accuracy of the grant liabilities discounting workings to determine whether the grant liability was materially accurate and used Deloitte's Analytics tools to challenge the integrity of these spreadsheets.
Key observations	As a result of our audit procedures, we concluded that Management's discount rate methodology is appropriate and in accordance with the requirements of FRS 102 and the Charities SORP. Based on the work performed, we conclude that the rates applied are at the lower end of our reasonable range.

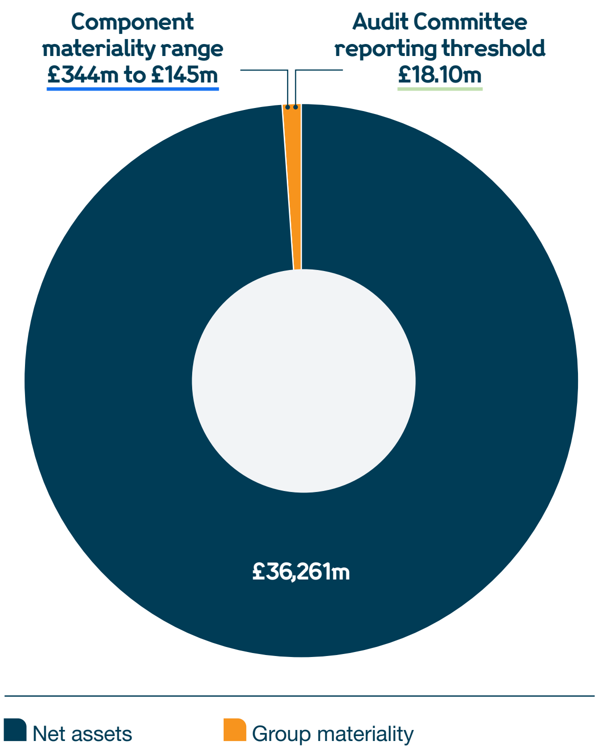
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Trust's financial statements
Materiality	£362.0 million (2020: £278.0 million)	£343.9 million (2020: £264.0 million)
Basis for determining materiality	1% (2020: 1%) of net assets	1% (2020: 1%) of net assets
Rationale for the benchmark applied	The Group is an asset based charity making returns on its investment portfolio to support the charitable activities. The basis of Group materiality is 1% of net assets which aligns our methodology with industry practice for comparable asset–based organisations.	The Trust is an asset based charity making returns on its investment portfolio to support the charitable activities. The basis of Trust materiality is 1% of net assets (limited to 95% of Group materiality) which aligns our methodology with industry practice for comparable asset–based organisations.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 60%) of group materiality	70% (2020: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to take a controls reliance approach over a number of business processes. In the prior year, we reduced the performance materiality to 60% due to the increased uncertainty surrounding remote working due to Covid-19. We have amended the performance materiality in the current year back to 70%, as applied in 30 September 2019. Although there is still uncertainty related to Covid-19, Wellcome have now had experience with remote working and established practices, thereby reducing the associated risk since prior year.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £16.2 million (2020: £13.9 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by gaining an understanding of the Group and its environment, and assessing the risks of material misstatement at the Group level.

We determined that each entity forms its own component and our component audit scope was therefore determined by considering which entities:

- were financially significant, based on a benchmark of 1% of Group net assets (**Scope A**); or
- required a statutory audit (**Scope B**); or
- are not financially significant and do not have a statutory audit requirement (**Scope C**).

Any entity that required an audit (Scope A and Scope B) within the Group has been audited by the Group audit team in the UK. These two categories combined provide coverage of 99% of the Group's net assets. This approach is in line with the prior year. For Scope A audits, where materiality is not based on a statutory materiality, we have capped component materiality at 95% (2020: n/a) of the group materiality. The lower band for component materiality is based on 40% (2020: n/a) of materiality. For those entities that fall within Scope C, we perform an analytical review at a group level.

7.2. Our consideration of the control environment

The Group's IT landscape contains a number of IT systems, applications and tools used to support business processes and for financial reporting. We perform a risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the Group's financial reporting. We utilised our IT specialists to assess relevant controls and perform General IT Controls testing ("GITCs") for the period 1 October 2020 to 30 September 2021 over in-scope systems. Our testing typically covered controls surrounding user access management and change management, as well as controls over key reports generated from the IT systems and their supporting infrastructure.

From our walkthroughs and understanding of the entity and controls at the business cycle and account balance levels, we took a controls reliance approach over the following business cycles:

- Quoted investments
- Unquoted investments relating to controlled unconsolidated investments (Premier, Farmcare) and farm assets (Agricultural Estates including The Wellcome Genome Campus at Hinxton)
- Investment properties
- Investment cash and cash at bank
- Grant liability (excluding the discount rate)
- Charitable expenditure

7.3. Working with other auditors

Urban&Civic is a 100% owned subsidiary undertaking of Gower Place Investments Limited, a subsidiary of the Group. Urban&Civic is held at fair value in the Group's accounts.

For the 30 September 2021 year end, Urban&Civic was audited by BDO LLP. As part of the BDO LLP audit of Urban&Civic, BDO LLP test the fair value of underlying assets within the company's portfolio and the NAV adjustments to result in the fair value. We held discussions with BDO to understand the work performed and supporting documentation obtained. We reviewed the testing performed by BDO LLP along with the underlying supporting documents. Where further support was required, we obtained this directly from Urban & Civic or the Trust, so that the support required for our testing was sufficient for our audit purposes. We drew our own conclusions from the testing performed. The work with BDO LLP related solely to the testing of the accuracy of the factual inputs into the valuation of Urban&Civic. As discussed in the section 5.1 above, we involved internal real estate specialists as part of our audit team to review the key assumptions and subjective inputs into the valuation.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in respect of these matters.

9. Responsibilities of Trustees

As explained more fully in the Trustee's responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Trust'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 Trustees either intend to liquidate the Group or the Trust or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 auditor's 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. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Trustee's remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit and risk committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's and the Trust's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, and IT, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, and identified the greatest potential for fraud in the following areas: valuation of unquoted investments relating to controlled, unconsolidated subsidiary investments (Premier Marinas, Urban&Civic, Farmcare) and farm assets (Agricultural Estates including The Wellcome Genome Campus at Hinxton) and valuation of unquoted investments relating to unquoted direct investments, including unrealised gains/losses related to these investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Charities Act 2011 and listing rules for the Trust's listed bonds.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty including applicable health and safety regulation and the Modern Slavery Act 2015.

11.2. Audit response to risks identified

As a result of performing the above, we identified two key audit matters related to the potential risk of fraud:

- Valuation of unquoted investments relating to controlled unconsolidated investments (Premier Marinas, Urban&Civic and Farmcare) and farm assets (Agricultural Estates including The Wellcome Genome Campus at Hinxton); and
- Valuation of unquoted investments relating to direct investments.

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board of Governors and the audit and risk committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Charity's Commission and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Charities (Accounts and Reports) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept by the Trust, or returns adequate for our audit have not been received from branches not visited by us; or
- the Trust's financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Consistency of the Trustee's Report with the Financial Statements

Under the Charities (Accounts and Reports) Regulations 2008 we are also required to report if, in our opinion the information given in the Trustee's Report is inconsistent in any material respect with the Financial Statements.

We have nothing to report in respect of this matter.

13. Other matters which we are required to address

13.1. Auditor tenure

Following the recommendation of the audit and risk committee, we were appointed by the Trust at its Board of Governor's meeting on 14 December 2015 to audit the financial statements for the year ending 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 30 September 2016 to 30 September 2021.

13.2. Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

14. Use of our report

This report is made solely to the charity's trustee, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Terri Fielding.

Deloitte LLP

Deloitte LLP (Senior statutory auditor)
Statutory Auditor
London, United Kingdom
10 January 2022

Financial statements

Friendship Bench Zimbabwe
Brent Stirton

Through Zimbabwe's Friendship Bench programme, trained volunteers counsel people with depression and other problems using principles from cognitive behavioural therapy – in the informal setting of a chat on a bench.

Image: Brent Stirton / Wellcome Photography Prize 2021

Consolidated Statement of Financial Activities

for the year ended 30 September 2021

	Note	Restricted funds £m	Unrestricted funds £m	**2021 £m**	Restricted funds £m	Unrestricted funds £m	2020 £m
Income from investments							
Dividends and interest	3	-	248.8	**248.8**	-	287.9	287.9
Rental income		-	37.6	**37.6**	-	35.4	35.4
		-	286.4	**286.4**	-	323.3	323.3
Charitable income							
Grants receivable	4(a)	24.1	-	**24.1**	18.5	-	18.5
Other charitable income	4(b)	41.8	58.0	**99.8**	28.1	93.7	121.8
Total income		65.9	344.4	**410.3**	46.6	417.0	463.6
Expenditure on raising funds							
Management fees and other investment costs	5(a)	-	(109.8)	**(109.8)**	-	(86.7)	(86.7)
Interest payable on bond liabilities		-	(76.5)	**(76.5)**	-	(79.0)	(79.0)
Expenditure on charitable activities	6	(65.6)	(1,113.5)	**(1,179.1)**	(52.3)	(966.3)	(1,018.6)
Total expenditure		(65.6)	(1,299.8)	**(1,365.4)**	(52.3)	(1,132.0)	(1,184.3)
Net realised and unrealised gains on investments	15(f)	-	9,252.5	**9,252.5**	-	3,289.6	3,289.6
Net income before taxation		0.3	8,297.1	**8,297.4**	(5.7)	2,574.6	2,568.9
Taxation	13	-	(10.4)	**(10.4)**	-	12.6	12.6
Net income after taxation		0.3	8,286.7	**8,287.0**	(5.7)	2,587.2	2,581.5
Actuarial gains on defined benefit pension schemes	11(e)(iii)	-	151.8	**151.8**	-	25.9	25.9
Net movement in funds		0.3	8,438.5	**8,438.8**	(5.7)	2,613.1	2,607.4
Funds at start of year		19.5	27,802.3	**27,821.8**	25.2	25,189.2	25,214.4
Funds at end of year	20	19.8	36,240.8	**36,260.6**	19.5	27,802.3	27,821.8

There are no gains or losses apart from those recognised above. All income is derived from continuing activities. All restricted funds arise in Genome Research Limited.

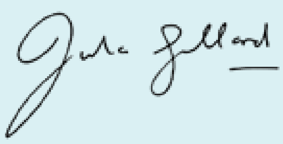
An analysis of the movement of funds in 2021 is shown in note 20.

Consolidated Balance Sheet

as at 30 September 2021

	Note	2021 £m	2020 £m
Tangible fixed assets	14(a)	**412.5**	411.8
Investment assets			
Quoted investments	15(a)	**17,292.0**	14,762.7
Unquoted investments	15(a)	**18,814.3**	13,766.8
Investment properties	15(a)	**1,566.1**	1,292.1
Derivative financial instruments	15(b)	**30.8**	71.3
Investment cash and certificates of deposit	15(c)	**3,820.3**	2,701.4
Other investment assets	15(c)	**196.1**	91.3
Social investments			
Programme related investments	15(d)	**28.0**	26.8
Total Fixed Assets		**42,160.1**	33,124.2
Current assets			
Stock		**13.7**	11.0
Debtors	16	**51.3**	29.5
Cash at bank and in hand		**44.3**	25.1
Total Current Assets		**109.3**	65.6
Creditors falling due within one year	17	**(1,160.4)**	(1,177.6)
Net current liabilities		**(1,051.1)**	(1,112.0)
Total assets less current liabilities		**41,109.0**	32,012.2
Creditors falling due after one year	17	**(4,442.6)**	(3,675.8)
Provision for liabilities and charges	18	**(180.8)**	(148.0)
Net assets excluding pension deficits		**36,485.6**	28,188.4
Defined benefit pension schemes' deficits	11(e)(iv)	**(225.0)**	(366.6)
Net assets including pension deficits		**36,260.6**	27,821.8
Funds of the charity			
Restricted Funds	20	**19.8**	19.4
Unrestricted Funds	20	**36,240.8**	27,802.4
Total Funds		**36,260.6**	27,821.8

The Financial Statements on pages 84-138 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 10 January 2022 and signed on its behalf by:



Ms Julia Gillard
Chair

Professor Fiona Powrie
Deputy Chair

Statement of Financial Activities of the Trust

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Income from investments			
Dividends and interest	3	**269.9**	260.7
Rental income		**36.1**	34.6
		306.0	295.3
Charitable income			
Other charitable income	4(b)	**25.7**	448.4
Total income		**331.7**	743.7
Expenditure on raising funds			
Management fees and other investment costs	5(a)	**(105.6)**	(81.7)
Interest payable to group undertakings		**(28.5)**	(31.9)
Interest payable on bond liabilities		**(41.8)**	(39.5)
Expenditure on charitable activities	6	**(1,062.5)**	(1,153.1)
Total expenditure		**(1,238.4)**	(1,306.2)
Net realised and unrealised gains on investments	15(f)	**9,179.9**	2,795.4
Net income		**8,273.2**	2,232.9
Actuarial gains on defined benefit pension schemes	11(e)(iii)	**84.4**	9.6
Net movement in funds		**8,357.6**	2,242.5
Funds at start of year		**27,403.8**	25,161.3
Funds at end of year		**35,761.4**	27,403.8

There are no gains or losses apart from those recognised above. All income is derived from continuing activities. All funds are unrestricted.

Balance Sheet of the Trust

as at 30 September 2021

	Note	2021 £m	2020 £m
Tangible fixed assets	14(b)	**208.2**	214.3
Investment assets			
Quoted investments	15(a)	**16,602.7**	13,883.5
Unquoted investments	15(a)	**17,014.5**	12,775.0
Investment properties	15(a)	**1,424.1**	1,164.3
Derivative financial instruments	15(b)	**30.8**	71.3
Investment cash and certificates of deposit	15(c)	**3,806.9**	2,697.0
Other investment assets	15(c)	**191.1**	85.1
Subsidiary and other undertakings		**2,899.4**	2,639.4
Social investments			
Programme related investments	15(d)	**28.0**	26.8
Total Fixed Assets		**42,205.7**	33,556.7
Current assets			
Debtors	16	**276.3**	16.4
Cash at bank and in hand		**29.6**	5.9
Total Current Assets		**305.9**	22.3
Creditors falling due within one year	17	**(2,559.8)**	(2,670.2)
Net current liabilities		**(2,253.9)**	(2,647.9)
Total assets less current liabilities		**39,951.8**	30,908.8
Creditors falling due after one year	17	**(4,001.7)**	(3,265.1)
Provision for liabilities and charges	18	**(96.9)**	(72.1)
Net assets excluding pension deficit		**35,853.2**	27,571.6
Defined benefit pension scheme's deficit	11(e)(iv)	**(91.8)**	(167.8)
Net assets including pension deficit		**35,761.4**	27,403.8
Funds of the charity			
Unrestricted Funds		**35,761.4**	27,403.8
Total Funds		**35,761.4**	27,403.8

The Financial Statements on pages 84-138 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 10 January 2022 and signed on its behalf by:

Ms Julia Gillard
Chair

Professor Fiona Powrie
Deputy Chair

Consolidated Cash Flow Statement

for the year ended 30 September 2021

	Note	2021 £m	2020 £m
Net income for the year (as per the Statement of financial activities)		**8,438.8**	2,607.4
Adjustments to exclude non-cash items and investment income and expenditure			
Increase in debtors	16	**(21.8)**	(2.4)
Increase in stock		**(2.7)**	(1.5)
Increase/(Decrease) in grant commitments	8	**204.6**	(12.4)
Decrease in creditors and provisions		**(76.4)**	(1.1)
Less unrealised gains on sale of Programme Related Investments	15(d)	**(2.6)**	(13.9)
Increase in net write down for Programme Related Investments	15(d)	**12.5**	16.4
Decrease/(Increase) in other investment debtors	15(c)	**2.7**	(0.4)
Depreciation and Disposals of Fixed Assets		**24.4**	24.9
Investment income		**(286.4)**	(323.3)
Bond interest		**76.5**	79.0
Net realised and unrealised gains on investments		**(9,252.5)**	(3,289.6)
Net cash flows from operating activities		**(882.9)**	(916.9)
Cash flows from investing activities:			
Investment income received	22(a)	**284.6**	318.9
Proceeds from sales of investment assets	22(c)	**8,575.0**	9,014.3
Purchase of investment assets	22(c)	**(7,306.9)**	(7,033.8)
Purchase of tangible fixed assets	14(a)	**(25.1)**	(12.4)
Net cash inflow upon settlement of derivative financial instruments	22(c)	**67.6**	331.2
Net cash flows from investing activities		**1,595.2**	2,618.2
Cash flows from financing activities:			
Cash and debt acquired		**746.8**	-
Debt matured		**(275.0)**	-
Cash outflow for servicing of finance	22(b)	**(77.4)**	(77.2)
Net cash flows from financing activities		**394.4**	(77.2)
Change in cash and cash equivalents during the year		**1,106.7**	1,624.1
Cash and cash equivalents at the beginning of the year		**2,726.5**	1,103.7
Change in cash and cash equivalents due to exchange rate movements		**31.4**	(1.3)
Cash and cash equivalents at the end of the year		**3,864.6**	2,726.5

Cash and cash equivalents include cash at bank and in hand, and investment cash and certificates of deposits.

A statement of net debt is included in note 22(d).

Alternative Performance Measures and Key Performance Indicators

Alternative Performance Measures (APMs) are a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs can be reconciled to financial measures reported in the Financial Statements.

Key Performance Indicators (KPIs) are a measure by reference to which the development, performance or position of the Group can be measured effectively.

KPIs include financial measures of historical financial performance which cannot be reconciled to financial measures reported in the Financial Statements.

The key measures used by the group are explained below:

APMs	Explanation
Total assets net of all liabilities	This is a summation of all the investment assets less all the investment liabilities and the bond liabilities held at fair value, with all balances valued at least annually. This provides management a net investment portfolio value to assess investment performance (refer to Investment Asset Allocation, Figure 6, Review of Investment Activities)
Net debt	This reconciles transactions that do not require the use of cash or cash equivalents to the Statement of cashflows (see note 22(d))
Leverage	The amount of Total interest-bearing liabilities as a percentage of the amount of Total Investment Assets and is used by Management to assess the amount of bond liabilities the Group issues (refer to note 15(g))
Charitable expenditure	This is detailed in the Financial Review on page 36 and summarises the charitable spend, including allocated support costs by activity and is reported before the application of the discounting and foreign exchange accounting adjustments made in accordance with FRS 102. This is a measure used by Management to assess the Groups charitable activity

Key KPIs	Explanation
Blended returns	This is a measure of investment portfolio performance which averages the net returns (see below) calculated in £ and US $. The target return is UK/US CPI + 4%
Net returns	This KPI is a financial measure of investment portfolio performance. This is calculated using the 'Modified Dietz method' as follows: change in the period of Total assets net of all liabilities less charitable cash expenditure for the period, divided by the opening Total assets net of all liabilities for the period plus charitable cash expenditure weighted by the time to the close of the period that the cash expenditure occurred. The time weighting of charitable cash expenditure as required under the 'Modified Deitz method' means that this KPI can not be reconciled to financial measures reported in the Financial Statements. The target net return is UK/US CPI + 4%

Glossary of Terms

Glossary of terms	Explanation
Active grants	Grants which have been activated and are still being utilised. The value of active grants is the undiscounted total amount awarded, before deducting any amounts paid to date
Buy-out funds	This is a portion of the Investment portfolio invested in private funds which adopt a strategy of buying out companies and transforming their operations
Cash & Bonds	This is the portion of the investment portfolio which is invested in cash, cash equivalents (liquidity funds, term deposits and certificates of deposit) and fixed income assets (i.e. corporate bonds and government gilts)
Charitable cash expenditure	This is cash spent in year on charitable activities and comprises Net cash flows from operating activities and cash flows from purchase of tangible fixed assets (see Consolidated Cash Flow Statement, page 89)
Directional hedge funds	A directional hedge fund maintains some exposure to the market without placing much emphasis on hedging market risk
Directly managed public equity	This is the portion of the investment portfolio which is invested in public equity and managed by the internal investment division
Equity long/short hedge funds	Investment hedge funds, that involves buying equities that are expected to increase in value and selling short equities that are expected to decrease in value (rather than buying a call option and selling a put option)
Indirectly managed public equity	This is the portion of the investment portfolio which is invested in public equity and managed by third party external investment managers
Global compounders basket	This is a directly held portfolio within the Investment portfolio invested in public companies with characteristics expected to benefit from long term trends
Growth markets	These are economies of countries traditionally classified as emerging markets, which often feature high annual GDP growth
Net overlay assets	Foreign exchange overlays and the related cash collateral amounts due to third parties
Non Directional hedge funds	A non-directional hedge fund (absolute return fund) is a hedge fund that aims to generate a stable return regardless of market performance (with low volatility)

Notes to the Financial Statements

1. Accounting policies

The numbers shown in the financial statements are in millions, rounded to one decimal point.

(a) Statement of compliance

The Financial Statements of the Wellcome Trust (the "Trust") and the consolidated Financial Statements of the Trust and its subsidiary undertakings (the "Group") have been prepared on a going concern basis and in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102"). In particular, they comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' ("FRS 102") published in 2019 (the "SORP") in all material respects with the exception of the valuation of certain joint ventures and associates as detailed under the Basis of Consolidation below.

Wellcome Trust meets the definition of a public benefit entity under FRS 102. The Financial Statements have been prepared under the historical cost convention, as modified by the valuation of investments on a basis consistent with prior years.

The functional currency of the Trust is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Trust operates. The consolidated Financial Statements are also presented in Pounds Sterling.

Wellcome Trust meets the definition of a qualifying entity under the SORP and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements, which are presented alongside the consolidated Financial Statements. Exemptions have been taken in relation to financial instruments and the presentation of a Cash Flow Statement.

(b) Summary of significant accounting policies

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

Basis of preparation

The preparation of Financial Statements in conformity with FRS 102 requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 2.

Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Trust and its subsidiary undertakings. Associates and joint ventures are included as part of the investment portfolio and are discussed below. Subsidiary undertakings are entities over which the Trust has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When the Group owns less than 50% of the voting powers of an entity, but controls the entity by virtue of an agreement with other investors that gives it control of the financial and operating policies, it accounts for these as subsidiaries. The Financial Statements of subsidiaries are included from the date that control commences until the date that it ceases.

The Trust consolidates four types of subsidiary undertakings:

(i) charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust which are held at cost less impairment;

(ii) non-charitable operating subsidiary undertakings to conduct non-primary purpose trading which are held at cost less impairment;

(iii) a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities which are held at cost less impairment; and

(iv) non-charitable investment subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust which are held at fair value which is represented by their net asset value.

Consolidation comprises combining the assets, liabilities, the income and expenditure of those subsidiary undertakings with the Trust's balances on a line by line basis. A subsidiary is excluded from consolidation where the interest in the subsidiary is held as part of the investment portfolio and its value to the Group is through fair value rather than as the medium through which the Group carries out business and where it has not previously been consolidated in the consolidated Financial Statements under FRS 102.

These subsidiaries are included at fair value within investments in accordance with 9.9C(a) of FRS 102.

Further detail on the Trust's significant subsidiary undertakings is provided in note 21.

A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control. The Group considers that it has joint control where there is contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The results of the joint ventures are accounted for using the equity method of accounting unless the entity is held as part of the investment portfolio or as a Social Investment as discussed below.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and has significant influence. The Group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of the associates are accounted for using the equity method of accounting unless the entity is held as part of the investment portfolio or as a Social Investment as discussed on page 96.

Where an associate or joint venture is held as part of the investment portfolio or as a Social Investment and its value to the Group is through fair value rather than as medium through which the Group carries out business, the associate or joint venture is measured at fair value with changes in fair value recognised in profit or loss (Statement of Financial Activities) in the consolidated Financial Statements in accordance with 14.4B or 15.9B of FRS 102. The fair value is determined in accordance with the accounting policies for Financial Assets and Liabilities detailed on page 95. This is a departure from the SORP which requires that all such investments are accounted for using the equity method of accounting. The Trustees have concluded that this departure from the SORP ensures the Financial Statements present a true and fair view. The fair value of the associates and joint ventures held in the investment portfolio is included in Unquoted investments in note 15(a).

All intra-group transactions, balances, income and expenses are eliminated on consolidation of subsidiaries. Adjustments are made to eliminate the profit or loss arising on transactions with joint ventures or associates to the extent of the Group's interest in the entity. Where subsidiaries, joint ventures and associates are held as part of the investment portfolio or as a Social Investment and measured at fair value, no elimination of intra-group items is undertaken.

Income

The Group recognises income at the fair value of the consideration received or receivable when the significant risks and rewards of ownership have been transferred, the amount of income can be measured reliably, it is probable that future economic benefits will flow to the Group and when the specific criteria relating to the each of Group's income channels have been met, as described as follows. All amounts are net of discounts and rebates allowed and value added taxes if applicable.

Dividend income including any recoverable tax is recognised from the ex-dividend date when it becomes receivable.

Rental income is recognised on an accruals basis, and is recognised on a straight line basis.

Interest income is recognised using the effective rate of interest.

Charitable income for performance-related agreements is recognised when the expenditure is incurred as this reflects the service levels. Income for non-performance-related agreements is recognised when awarded as this represents entitlement. Capital grants with no performance related conditions are recognised when the charity is entitled, the receipt is probable and the amount is measurable which is when the award letter is received. Any receipts that do not meet these criteria are held as deferred income.

Gift aid income is recognised on an accruals basis when the receipt is both probable and measurable.

Expenditure

Expenditure and liabilities are recognised as soon as there is a legal or constructive obligation committing the Group to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is recognised on an accruals basis, with the exception of grants as noted below.

Expenditure on raising funds relates to the management of the investment portfolio and includes the allocation of support costs relating to this activity.

Expenditure on charitable activities is analysed between grant funding and the cost of activities performed directly by the Trust and the Group together with the associated support costs, including governance costs. Governance costs are the costs of governance arrangements that relate to the general running of the Group as opposed to those costs associated with investments or charitable activities. These costs include such items as internal and external audit, legal advice for Governors and costs associated with constitutional and statutory requirements.

Where possible, expenditure incurred that relates to more than one activity is apportioned. The method of apportionment uses the most appropriate basis for each cost type.

Grants awarded to institutions outside the Group are recognised as expenditure in the year in which the grant is formally approved by the Trust and has been communicated to the recipient, except to the extent that it is subject to conditions that enable the Trust to revoke the award.

The provision for multi-year grants is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit it to avoid making the future payments, settlement is probable and the effect of the discounting is material. The discount rate used is regarded by the Board of Governors as the most current available estimate of the opportunity cost of money and is based on the expected real rate of return on the investment portfolio. The impact of the discount rate is discussed in note 2 (significant accounting estimates and assumptions).

Research expenditure is recognised in the Statement of Financial Activities (SOFA) in the year in which it is incurred and is included in Expenditure on Charitable Activities.

Net realised and unrealised gains and losses on investments
Net realised and unrealised gains and losses on investments are recognised within the Statement of Financial Activities. Gains and losses are realised when an investment is disposed of in the year. Unrealised gains and losses arise on the revaluation of investments to fair value at the balance sheet date.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, long-term incentive plans, paid holiday arrangements and defined benefit and defined contribution pension plan. These are detailed in the Remuneration Report on page 65.

Short term benefits
Short term benefits, including private medical insurance, medical assessments and group income protection are recognised as an expense in the period in which the service is received.

Pension schemes
The Group pension arrangements are detailed in note 11(e).

The contributions to defined contribution plans are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

The liability recognised in the balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to “Actuarial gains and losses on defined benefit pension schemes” in the Statement of Financial Activities.

The cost of the defined benefit plans, recognised in charitable expenditure as employee costs comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments, settlements, and administration expenses.

Other retirement benefits are included within provisions and are valued at the present value of the defined benefit obligation at the end of the reporting date.

Annual bonus plan
An expense is recognised in the Statement of Financial Activities when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Long-term incentive plans
The cost is recognised in the Statement of Financial Activities over the period of service to which the plan relates. Where amounts are left in the plan after vesting date, any adjustment in value between the date of vesting and the date of payment is recognised in the Statement of Financial Activities.

Termination benefits
Termination benefits are payable when employment is terminated by the Group, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer of voluntary redundancy.

Fund accounting

The Group’s charitable funds consist of restricted funds, held in Genome Research Limited, and unrestricted funds.

Tangible fixed assets

Tangible fixed assets, excluding land and investment properties, held by the Group and the Trust are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Fixed assets are subject to review for impairment when there is an indication of a reduction in their carrying value. They are reviewed annually and any impairment is recognised in the year in which it occurs.

Assets in the course of construction are stated at cost and are not depreciated until available for use.

Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life. Residual value represents the estimated amount that would currently be obtained from disposal of an asset, after deducting estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. Depreciation commences from the date an asset is brought into service when the charge is reflected in the SOFA.

The useful lives for depreciation purposes for the principal categories of assets are shown in Table 1.

Table 1

	Years
Buildings	50
Leasehold Land and Buildings	Over the term of the lease
Other Plant and Equipment. Fixtures and fittings	3 to 15
Computer Equipment	3 to 5

Heritage assets
The Trustee does not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Trust. This is because of the diverse and specialist nature of the assets held, the number of assets held and the lack of comparable market values. The cost of valuing the entire collection would be onerous compared with the benefit derived by users of the Financial Statements in assessing the Trustee's stewardship of the assets. Assets are recognised on the Balance Sheet if they meet the definition of a heritage asset, their value can be reliably measured and they are considered to be material. Further details are provided in note 14.

Financial assets and liabilities

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets which qualify as basic financial instruments as laid out in FRS 102 paragraph 11.8, including trade and other receivables and cash and bank balances, are subsequently valued at amortised cost and assessed for impairment at the end of each reporting period.

Other financial assets, including investments, are subsequently valued at fair value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investment valuation policies and procedures are reviewed by the Valuation Group which is responsible for reviewing valuations. Specific policies are detailed below and the detail of the application of these policies is disclosed in the relevant note to the accounts where appropriate.

(i) Quoted investments
Quoted investments comprise publicly quoted, listed securities including shares, bonds and units. Quoted investments are stated at fair value at the balance sheet date. The basis of fair value for quoted investments is equivalent to the market value, using the bid-price. Asset sales and purchases are recognised at the date of trade.

(ii) Unquoted investments
Unquoted investments are valued at management's best estimate of fair value and comprise:

- Private equity and venture funds, which are valued externally by their fund managers;
- Direct investments, the majority of which are made with co-investors (who are funds within our private equity and venture portfolio) and management use the co-investor valuations as a key input to determine the fair value. Where there is no co-investor, these investments are valued using internal models.
- Investment operating subsidiaries and joint ventures which are held as part of the investment portfolio, refer to the Basis of Consolidation on pages 92-93, are held and measured on a fair value basis. Further details are provided in note 2 (Significant accounting judgements and key sources of estimation uncertainty).

(iii) Derivative financial instruments
Derivative financial instruments are used as part of the Group's portfolio risk management and as part of the Group's portfolio management and investment return seeking strategy. The Group's use of derivative financial instruments includes equity index-linked futures and options, options on individual equities, warrants and currency forwards.

The Group's exchange traded options are stated at fair value, equivalent to the market value, using the bid price, on the relevant exchange.

The Group's warrants are held at the fair value determined by management. These will generally reflect the valuations used by the Group's co-invest partners where these exist and where there is confidence in their approach. Valuations will generally be intrinsic value, as the best estimate of fair value, but for some warrant holdings the use of a Black-Scholes valuation methodology will be used by management.

The fair value of contract positions is recognised in the Balance Sheet and gains and losses on the contracts are recognised in the Statement of Financial Activities.

(iv) Investment cash and certificates of deposit, other investment assets and other investment liabilities
Investment cash and certificates of deposit, and debtors and creditors arising as part of the investment portfolio are stated at their fair value.

(v) Bond liabilities
Bond liabilities are measured at amortised cost using the effective interest rate method. Initial amortised cost is equal to the proceeds of issue net of transaction costs directly attributable. Transaction costs form part of the effective interest rate and are recognised in the Statement of Financial Activities over the term of the Bonds. The fair value of the Bonds disclosed within the notes to the Financial Statements is the market value of the Bonds at the year end date. The Group is not required to, and therefore does not, recognise any adjustment to fair value in the Balance Sheet and the Statement of Financial Activities.

Investment properties

Investment properties for which fair value can be measured reliably on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Financial Activities. The fair values are based on valuations estimated by third party professional valuers; however, where properties are acquired close to the balance sheet date, valuations are not obtained because the acquired properties are recorded at open market value upon initial recognition, which management considers to be a reasonable estimate of open market value at the balance sheet date. Property transactions are recognised on the date of completion.

Investments in subsidiaries

Subsidiary undertakings established purely to hold investments are included in the Trust's Balance Sheet at fair value which is represented by their net asset value.

Securities lending programme

The Group undertakes securities lending arrangements whereby securities are loaned to external counterparties for a set period of time ("the loan period"). The Group receives cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period and receives a share of the interest earned on the cash collateral held. Under the terms of the securities lending agreements, the Group retains substantially all the risks and rewards of ownership of the loaned securities, and the contractual rights to any cash flows relating to the securities. The loaned securities are not derecognised on the Group's and Trust's Balance Sheets. The cash collateral and the obligation to return the cash collateral to the lender are recognised in the Group's and Trust's Balance Sheets.

Social investments

Programme related investments
Programme related investments are held at fair value, if this can be measured reliably; or if fair value cannot be measured reliably, at cost less impairment. Where a decision is taken that a programme related investment should be held to generate a financial return and that the primary motivation for holding it is no longer to further the objects of the charity, it will be transferred to the main investment portfolio and measured accordingly. These are discussed in note 15(d).

Stock

Stock consists of consumables and goods for sale and is stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost is determined on a first-in-first-out basis. Where necessary, provision is made for obsolete, slow moving and defective stock.

Provisions and contingencies

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are discounted to present value where the effect is material.

Contingencies

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably. These are not recognised but are disclosed in the Financial Statements.

Contingent assets are not recognised. Contingent assets are potential future inflows of economic benefits where the likelihood of receipt is considered more than remote, but is not considered probable or cannot be measured reliably. These are not recognised but are disclosed in the Financial Statements.

Foreign currencies

Transactions denominated in foreign currencies are translated into Pounds Sterling at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the rate ruling at the balance sheet date. All foreign exchange gains and losses, realised and unrealised, are recognised in the Statement of Financial Activities.

Taxation

The charitable members of the Group are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that they are applied to their charitable purposes.

The non-charitable subsidiaries of the Group are subject to UK Corporation Tax. However, because their policy is to make a qualifying charitable donation ("Gift Aid") to the Wellcome Trust equal to taxable profits, no Corporation Tax liability arises in the year, unless restricted due to an insufficient level of cash or distributable reserves.

Foreign tax incurred on overseas investments is charged as it is incurred. In common with many other charities, the charitable members of the Group are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Subject to recognition criteria, Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred Tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, that are expected to apply to the reversal of the timing difference. Timing differences are differences between the taxable profits and results as stated in the Financial Statements.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in future periods, which the future reversal of the underlying timing differences can be utilised against.

Deferred tax is recognised on fair market value adjustments of investment subsidiaries, despite the fact it is likely the subsidiaries will be able to make a Gift Aid donation equal to the amount of taxable profit arising from the future realisation of the underlying assets.

2. Key sources of estimation and uncertainty and significant judgements made in applying the accounting policies

The preparation of the financial statements requires the application of certain estimates and judgements. The material areas of either estimation or judgement are set out below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Each of these areas are considered by the Audit and Risk Committee based on information prepared by Finance.

Key sources of estimation and uncertainty made in applying the Group's accounting policies

Unquoted investments

Investment asset category	Value £m	Valuation methodology	Estimations and assumptions
Investment Operating Subsidiaries, Joint Ventures and development land with planning consent (which are included within Property in the investments allocation refer to Figure 6 on page 27).	1,413	As noted in the Basis of Consolidation on pages 92-93 certain subsidiaries and joint ventures and associates are excluded from consolidation where the interest in the entity is held as part of the investment portfolio. Rather than holding these entities to carry out business, they are held and measured on a fair value basis. Fair value is based on external valuers employing RICS valuation methodology for property held within these investments adjusting for other net assets. The property held is valued using methodologies specific to the nature of the property including discounted cashflows (discount rates, development value, land and house price growth and absorption rates estimated) and comparable land values.	The fair value of the property held within these investments is estimated noting there is difficulty in predicting the outlook for certain parts of the UK property market where there are a lower number of comparable transactions. A sensitivity analysis is provided for this below. The sensitivities presented are as provided by the external valuers to provide context to their valuations. Management review the sensitivities and considers them reasonable in the context of the historic movements in these estimates.

Estimate	Change in estimate	Impact on unquoted investments
Discount rates	Increase of 1.0%	Decrease by £70.9m (0.4%)
	Decrease of 1.0%	Increase by £101.2m (0.5%)
Land values	Increase/decrease of 10%	Increase/decrease by £84.6m (0.4%)
Land and house price growth	Decrease of 1.0%	Decrease by £50.1m (0.3%)
Development absorption rate	Decrease of 100 units per annum below peak	Decrease by £141.2m (0.8%)
Construction costs rate per square foot	Increase/decrease of 5%	Decrease/increase by £26.4m (0.1%)
Residential sales and rent rate per square foot	Increase/decrease of 5%	Increase/decrease by £51.4m (0.3%)

As noted in the Accounting Policies on page 92, Direct investments (which are reported within Direct Private and Private co-investments in the Investment allocation, refer to Figure 6 on page 27) are valued at management's best estimate of fair value. For these investments fair value is estimated using a range of methodologies including price of recent investment and public comparables. The fair value of these direct investments is estimated noting there is uncertainty arising from Covid-19 impacts on their future financial performance. These direct investments particularly the early stage venture co-investments have a range of possible fair value estimates. If the fair value of these investments decreased to the bottom of the possible fair value range this would decrease unquoted investment balances by £126 million and if increased to the top of the possible range this would increase unquoted balances by £377 million.

Grant liabilities

Accounting methodology	Value £m	Estimations and assumptions
The initial liability recognised is based on actual amounts awarded, but as the awards are paid out over a number of years, non-current liabilities (refer to notes 6 and 8) are discounted based on expected future cash outflows. Internal estimation is required in: • calculating the appropriate discount rate and; • determining when the liability will be called down and paid.	2,476	The expected future nominal rate of investment returns. This is considered by management to be the most current available estimate of the opportunity cost of money to Wellcome. The timings of the calling down and payments of the liabilities: • The start delay of a grant – this is the delay between the date the grant was approved to the date the payments can start to be made • The retention delay – this is the delay between the official grant end date, and the date the final payment is made • The weighted stretch delay – this is cash flow profiling methodology to calculate the delay between when payments are due and no cost extensions are granted to grantees which delays the end date further. This is weighted so the profile of grants of higher value weigh proportionally more than grants of lower value in the model used to profile the cash as they have a more significant impact on cash flows. A sensitivity analysis is provided for this below.

Estimate	Change in estimate	Impact on grant liabilities
Rate used to discount grant liabilities (2021: 7.0%, 2020: 6.1%)	Increase of 3.0% p.a.	Decrease by £117.3 million (-4.1%)
	Decrease of 3.0% p.a.	Increase by £149.8 million (5.3%)
Start delay (2021: 5 months, 2020: 4 months)	Decrease -2 months	Increase by £8.6 million (0.3%)
	Increase +2 months	Decrease by £0.4 million (-0.0%)
Retention delay (2021: 7 months, 2020: 6 months)	Decrease -3 months	Increase by £24.3 million (0.9%)
	Increase +3 months	Decrease by £16.8 million (-0.6%)
Weighted stretch delay (2021: 22%, 2020: 23%)	Decrease -5%	Increase by £24.0 million (0.8%)
	Increase +5%	Decrease by £16.5 million (-0.6%)

Start delay – average over the last 5 years, calculated using the start delay for grants started over the last 5 years (2017-2021). There will always be a start delay and +/- of 2 months is used for the analysis.

Retention delay – average over the last 5 years. There is only 5 years worth of retention data. Using this data the average came out as 7 months. The lowest average retention delay was 3 months and the +/- 3 months was used for the sensitivity analysis.

Weighted stretch delay – average over the last 5 years (excluding outliers). If all grants including outliers are included in the calculation then it gives a range of +/- 5% which is what is used for the sensitivity analysis.

Defined benefit pension schemes' liabilities

Valuation methodology	Value £m	Estimations and assumptions
The actuaries provide a summary of the actuarial assumptions proposed based on FRS 102 requirements and their knowledge as administrators of the plan. The Finance team, the Chief Investment Officer and the People team review these assumptions and challenge them if required.	987	The rate of future salary increases The discount rate The rate of inflation A sensitivity analysis is provided below

Estimate	Change in estimate	Impact on pension schemes' liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £142.1 million (14.4%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £108.5 million (11.0%)

Significant judgements in applying the Group's accounting policies

Non-charitable investment subsidiary undertakings, associates and joint ventures held as part of the investment portfolio

The Group applies judgement to assess which subsidiary undertakings, associates and joint ventures are held as part of the investment portfolio and therefore their value to the Group is through fair value rather than a medium through which the Group carries out business (refer Basis of consolidation, pages 92-93). This judgement relies on the Group's assessment of the purpose of the investment and ongoing management of these entities, this has been applied to the investment operating subsidiaries and joint ventures referenced in the Unquoted investments section of this note above.

3. Dividends and interest

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Dividends from UK equities	**62.7**	65.9	**48.7**	65.9
Dividends and interest from subsidiaries	**-**	-	**44.8**	-
Dividends from overseas equities	**164.8**	189.4	**155.3**	162.4
Income from unquoted investments	**19.3**	26.9	**19.1**	26.9
Interest from quoted investments	**0.8**	3.3	**0.8**	3.3
Interest on cash and cash deposits	**-**	0.5	**-**	0.3
Securities lending income	**1.2**	1.9	**1.2**	1.9
	248.8	287.9	**269.9**	260.7

Interest from quoted investments relates to the funds realised in the year, which had been held for the purposes of repaying the 2021 bonds (repaid in May 2021) detailed in note 15(a).

4. Other income

(a) Grants receivable

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
	24.1	18.5	**-**	-

Grants receivable mainly represents awards to the Trust's subsidiary undertaking Genome Research Limited by other funders, notably government grants of £6.6 million (2020: £4.0 million). Income on these grants is recognised on the performance model in line with the accounting policy for charitable income.

(b) Other charitable income

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
	99.8	121.8	**25.7**	448.4

Included in other charitable income for the Group is £11.1 million (2020: £63.1 million) of proceeds arising from the sale during the year of Programme Related Investments, details of which are given in note 15 (d).

Included in other charitable income for the Trust are Gift Aid donations received from subsidiary undertakings, totalling £13.1 million (2020: £376.8 million). Details of significant group undertakings are given in note 21.

5. Management fees and other investment costs

(a) Total investment costs

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
External investment management fees	**61.0**	54.0	**57.2**	49.3
Internal investment administration	**42.4**	27.3	**42.2**	27.1
Investment support cost allocation	**6.4**	5.4	**6.2**	5.3
	109.8	86.7	**105.6**	81.7

The amount accrued for Long Term Incentive Plans included in the internal investments administration costs above was £27.7 million (2020: £14.0 million). Senior staff in the Investments team receive performance-based remuneration, as noted on page 67, which can give rise to variations in the amount charged to internal investment administration year on year.

External investment management fees includes performance fees paid to external investment managers for outperformance against their respective benchmarks. The outperformance varies year on year and the current year had higher levels of outperformance than in the prior year (refer Public Equities section of the Review of Investment Activities page 28-29 for further details).

The methodology behind the support cost allocation is detailed in note 9.

The bandings disclosures in note 5(b) show employees working on the investment activities of the Group.

(b) Benefits of Investment team employees (salary, bonus, long term incentive plans and allowances)

	Group and Trust	
	2021	2020
£60,000-£69,999	**4**	-
£70,000-£79,999	**1**	2
£80,000-£89,999	**1**	4
£90,000-£99,999	**2**	3
£100,000-£109,999	**3**	-
£120,000-£129,999	**-**	3
£130,000-£139,999	**-**	2
£140,000-£149,999	**3**	3
£150,000-£159,999	**4**	-
£160,000-£169,999	**-**	1
£170,000-£179,999	**1**	-
£180,000-£189,999	**-**	1
£200,000-£209,999	**-**	1
£210,000-£219,999	**1**	1
£230,000-£239,999	**1**	-
£240,000-£249,999	**-**	1
£250,000-£259,999	**1**	-
£290,000-£299,999	**-**	1
£330,000-£339,999	**-**	1
£340,000-£349,999	**1**	-
£350,000-£359,999	**-**	1
£390,000-£399,999	**-**	1
£460,000-£469,999	**-**	1
£510,000-£519,999	**-**	1
£530,000-£539,999	**1**	-
£630,000-£639,999	**1**	-
£660,000-£669,999	**2**	-
£670,000-£679,999	**1**	-
£730,000-£739,999	**1**	-
£740,000-£749,999	**1**	-
£1,250,000-£1,259,999	**-**	1
£1,360,000-£1,369,999	**-**	1
£1,560,000-£1,569,999	**-**	1
£1,760,000-£1,769,999	**-**	1
£1,910,000-£1,919,999	**-**	1
£1,970,000-£1,979,999	**1**	-
£2,250,000-£2,259,999	**1**	-
£2,690,000-£2,699,999	**1**	-
£3,430,000-£3,439,999	**1**	-
£3,690,000-£3,699,999	**1**	-
£4,510,000-£4,519,999	**-**	1
£4,640,000-£4,649,999	**-**	1
£7,830,000-£7,839,999	**1**	-
£7,920,000-£7,929,999	**1**	-
	37	35

The number of employees working within the Investment team whose total benefits (excluding employer pension contributions and employer National Insurance Contributions) fell within the bands as shown in the table above.

Long Term Incentive Plans reflect rolling 3 and 5 year performance periods. Long term incentive plan amounts included in the benefits table above are awarded to eligible individuals by the Remuneration Committee and are reported in the year in which the decision is made.

During the prior year there was a change to the timing of the Remuneration Committee decision on the awards for the 3 year scheme commencing 1 October 2019, which brought forward the recognition of amounts under that scheme. This change was also made to the most recent 3 year scheme commencing 1 October 2020. These changes to timing of award decisions do not amend the overall cost of the scheme or the timing of the deferred payments.

Amounts included in the table in each year therefore relate to both investment performance in current and prior years. These amounts include awards for which payment is deferred and subject to future investment performance.

6. Charitable activities

Group	Grant funding £m	Direct £m	Allocated support £m	**Total 2021 £m**
Science	598.3	207.8	56.0	**862.1**
Innovations	104.1	13.6	8.6	**126.3**
Culture & Society	43.1	32.9	26.0	**102.0**
Priority Areas	102.4	29.0	11.5	**142.9**
	847.9	**283.3**	**102.1**	**1,233.3**
Effect of discounting of grant liabilities	(48.2)	-	-	**(48.2)**
Foreign exchange revaluation of grant liabilities	(6.0)	-	-	**(6.0)**
Total	**793.7**	**283.3**	**102.1**	**1,179.1**

Grant funding and direct charitable activities totalled £1,131.2 million. Support costs related to the grant funding activities of the Group included in the total allocated support costs above are; Science £41.6 million, Innovations £7.6 million, Culture & Society £14.8 million and Priority Areas £9.0 million.

Group	Grant funding £m	Direct £m	Allocated support £m	**Total 2020 £m**
Science	548.3	169.2	54.0	**771.5**
Innovations	79.1	16.4	8.3	**103.8**
Culture & Society	49.2	33.6	24.7	**107.5**
Priority Areas	82.9	17.3	15.7	**115.9**
	759.5	**236.5**	**102.7**	**1,098.7**
Discounting of grant liabilities	(45.6)	-	-	**(45.6)**
Foreign exchange revaluation of grant liabilities	(34.5)	-	-	**(34.5)**
Total	**679.4**	**236.5**	**102.7**	**1,018.6**

Grant funding and direct charitable activities totalled £996.0 million. Support costs related to the grant funding activities of the Group included in the total allocated support costs above are; Science £36.2 million, Innovations £6.9 million, Culture & Society £14.2 million and Priority Areas £12.8 million.

Trust	Grant funding £m	Direct £m	Allocated support £m	**Total 2021 £m**
Science	714.5	14.4	35.4	**764.3**
Innovations	104.1	13.6	8.6	**126.3**
Culture & Society	43.1	32.5	26.0	**101.6**
Priority Areas	102.4	19.2	11.5	**133.1**
	964.1	**79.7**	**81.5**	**1,125.3**
Effect of discounting of grant liabilities	(35.6)	-	-	**(35.6)**
Foreign exchange revaluation of grant liabilities	(27.2)	-	-	**(27.2)**
Total	**901.3**	**79.7**	**81.5**	**1,062.5**

Grant funding is higher in the Trust due to grants awarded to subsidiaries (see note 7). Grant funding and direct charitable activities totalled £1,043.8 million. Support costs related to the grant funding activities of the Trust included in the total allocated support costs above are; Science £34.7 million, Innovations £7.6 million, Culture & Society £14.8 million and Priority Areas £9.7 million.

Trust	Grant funding £m	Direct £m	Allocated support £m	**Total 2020 £m**
Science	644.0	12.5	32.4	**688.9**
Innovations	79.1	16.4	8.3	**103.8**
Culture & Society	49.2	32.7	24.7	**106.6**
Priority Areas	332.3	16.3	15.7	**364.3**
	1,104.6	**77.9**	**81.1**	**1,263.6**
Discounting of grant liabilities	(76.0)	-	-	**(76.0)**
Foreign exchange revaluation of grant liabilities	(34.5)	-	-	**(34.5)**
Total	**994.1**	**77.9**	**81.1**	**1,153.1**

In the prior year the Trust awarded a grant within the Priority Areas of £249.5 million to Wellcome Leap, a subsidiary of the Trust, discussed within the Review of Charitable Activities (see page 13).

Grant funding and direct charitable activities totalled £1,182.5 million. Support costs related to the grant funding activities of the Trust included in the total allocated support costs above are; Science £31.6 million, Innovations £6.8 million, Culture & Society £14.3 million and Priority Areas £14.7 million.

7. Grants awarded

Grants are generally awarded to a particular individual, although the actual award is made to the host institution. Small grants may be awarded directly to individuals for the purpose of travel and for public engagement with science.

Grants no longer required relates to unspent amounts of grants awarded in previous years. Supplementations relate to agreed additional research costs for existing grants.

Please refer to the Financial Review on pages 36-40 for an explanation of the movement in grant expenditure.

Expenditure per institution can fluctuate considerably from year to year depending on, for example, specific initiatives.

The grants included within 'Grants to other organisations' for 2021 totalled less than £10.0 million in value for each organisation. The institutions listed in the 2020 table are those institutions that received grants in excess of £7.0 million in 2020.

Group	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2021 £m**
University of Oxford	92.6	13.6	2.8	15.2	**124.2**
University College London	61.5	4.9	2.2	0.1	**68.7**
University of Cambridge	51.4	1.8	0.9	0.1	**54.2**
University of Edinburgh	34.4	3.2	1.7	-	**39.3**
King's College London	28.8	4.7	0.4	-	**33.9**
Imperial College London	14.5	9.0	0.1	-	**23.6**
European Bioinformatics Institute	21.2	-	1.4	-	**22.6**
London School of Hygiene & Tropical Medicine	19.5	2.0	0.8	0.3	**22.6**
Coalition for Epidemic Preparedness Innovations (CEPI), Norway	22.2	-	-	-	**22.2**
Queen Mary University of London	20.7	-	-	-	**20.7**
University of Glasgow	20.1	0.3	0.3	-	**20.7**
Boston University, United States of America	-	-	-	19.8	**19.8**
University of Dundee	4.7	14.9	-	-	**19.6**
The Francis Crick Institute	19.3	-	-	-	**19.3**
University of Manchester	11.7	6.5	0.4	-	**18.6**
Liverpool School of Tropical Medicine	11.5	-	-	6.2	**17.7**
World Health Organization, Switzerland	10.1	0.5	1.8	4.1	**16.5**
University of Liverpool	15.5	-	0.5	-	**16.0**
Monash University, Australia	-	14.5	-	1.2	**15.7**
Academy of Medical Sciences	15.7	-	-	-	**15.7**
Drugs for Neglected Diseases Initiative, Switzerland	-	4.9	-	8.8	**13.7**
University of Leicester	11.9	-	0.2	-	**12.1**
University of Bristol	11.0	-	0.8	-	**11.8**
Medical Research Council	11.4	-	-	-	**11.4**
Diamond Light Source Ltd	10.7	-	-	-	**10.7**
Grants to other organisations	84.5	27.5	30.1	47.5	**189.6**
Total grants (excluding grants no longer required)	**604.9**	**108.3**	**44.4**	**103.3**	**860.9**
Less: grants awarded in previous years no longer required	(6.6)	(4.2)	(1.3)	(0.9)	**(13.0)**
	598.3	**104.1**	**43.1**	**102.4**	**847.9**

Group	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2021 £m**
Grants awarded of which:					
United Kingdom	541.1	68.4	33.9	36.0	**679.4**
Directly funded international	57.2	35.7	9.2	66.4	**168.5**
Grants awarded by the Group	**598.3**	**104.1**	**43.1**	**102.4**	**847.9**

Trust	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2021 £m**
Grants awarded by the Group	598.3	104.1	43.1	102.4	**847.9**
Plus: Grants awarded to subsidiary undertakings					
– Wellcome Sanger Institute	116.2	-	-	-	**116.2**
– Wellcome Leap Fund, United States of America	-	-	-	-	**-**
Grants awarded by the Trust	**714.5**	**104.1**	**43.1**	**102.4**	**964.1**

Group	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2020 £m**
University of Oxford	103.8	3.8	6.8	13.7	**128.1**
University College London	67.6	0.8	2.2	1.2	**71.8**
University of Cambridge	66.5	2.7	1.6	0.1	**70.9**
African Academy of Sciences, Kenya	60.8	-	-	-	**60.8**
Boston University, United States of America	-	-	-	38.4	**38.4**
University of Edinburgh	30.7	3.2	2.2	0.8	**36.9**
Imperial College London	21.0	1.6	0.2	-	**22.8**
Rosalind Franklin Institute	10.6	9.6	-	-	**20.2**
University of Manchester	10.4	4.4	2.3	0.4	**17.5**
King's College London	13.5	2.0	1.2	-	**16.7**
Medical Research Council	15.9	0.9	-	-	**16.8**
Novartis AG, Switzerland	-	15.2	-	-	**15.2**
Diamond Light Source Ltd	11.2	2.0	-	-	**13.2**
University of Glasgow	12.0	-	0.7	-	**12.7**
London School of Hygiene & Tropical Medicine	9.8	0.5	1.2	1.2	**12.7**
European Molecular Biology Laboratory	10.0	-	-	-	**10.0**
Liverpool School of Tropical Medicine	5.7	0.1	0.4	3.8	**10.0**
Newcastle University	8.7	0.2	0.9	-	**9.8**
University of Bristol	7.5	1.8	0.5	-	**9.8**
The Francis Crick Institute	9.3	-	-	-	**9.3**
European Bioinformatics Institute	8.1	-	-	-	**8.1**
University of Dundee	7.6	0.4	0.1	-	**8.1**
Cardiff University	5.6	1.5	-	-	**7.1**
University of Sheffield	5.1	0.1	1.9	0.2	**7.3**
Grants to other organisations	56.7	32.2	28.0	23.4	**140.3**
Total grants (excluding grants no longer required)	**558.1**	**83.0**	**50.2**	**83.2**	**774.5**
Less: grants awarded in previous years no longer required	(9.8)	(3.9)	(1.0)	(0.3)	(15.0)
	548.3	**79.1**	**49.2**	**82.9**	**759.5**

Group	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2020 £m**
Grants awarded of which:					
United Kingdom	458.5	38.5	45.7	28.0	**570.7**
Directly funded international	89.8	40.6	3.5	54.9	**188.8**
Grants awarded by the Group	**548.3**	**79.1**	**49.2**	**82.9**	**759.5**

Trust	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**2020 £m**
Grants awarded by the Group	548.3	79.1	49.2	82.9	**759.5**
Plus: Grants awarded to subsidiary undertakings					
– Wellcome Sanger Institute	95.7	-	-	-	**95.7**
– Wellcome Leap Fund, United States of America	-	-	-	249.4	**249.4**
Grants awarded by the Trust	**644.0**	**79.1**	**49.2**	**332.3**	**1,104.6**

Further details of grants awarded by the Trust are published on the Trust's website, at the address given on the back cover.

The following Governors had appointments with or supervised individuals within organisations which were in receipt of grant funding during the year:

Professor Fiona Powrie – University of Oxford
Professor Sir Michael Ferguson – University of Dundee
Professor Bryan Grenfell – Princeton University

8. Grants awarded but not yet paid

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Liabilities at 1 October	**2,271.5**	2,283.9	**2,484.5**	2,283.9
Grants awarded during the year	**847.9**	759.5	**964.1**	1,104.6
Grants paid during the year	**(589.1)**	(691.8)	**(732.0)**	(793.5)
Discounting of grant liabilities	**(48.2)**	(45.6)	**(35.6)**	(76.0)
Foreign exchange revaluation of grant liabilities	**(6.0)**	(34.5)	**(27.2)**	(34.5)
Liabilities as at 30 September	**2,476.1**	2,271.5	**2,653.8**	2,484.5
Of which:				
- falling due within one year (note 17)	**823.2**	657.5	**879.7**	719.2
- falling due after one year (note 17)	**1,652.9**	1,614.0	**1,774.1**	1,765.3
Liabilities as at 30 September	**2,476.1**	2,271.5	**2,653.8**	2,484.5

The total value of the grant liabilities discount for the year ended 30 September 2021 is £373.0 million (2020: £324.8 million) applying an expected nominal rate of investment return of 7.0% (2020: 6.1%).

9. Support costs

Support costs are those costs that, while necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. Support costs are allocated to the activities shown in the table below.

Funding administration costs are those costs that can be directly attributed to an activity.

Operations comprise an allocation of costs of the following departments; Internal Communications, People, Facilities and Workplace, Finance, Legal, and Digital and Technology.

The remaining support costs have been apportioned using the allocation methods indicated and include governance costs.

- Where costs have been allocated on the basis of headcount numbers, headcount numbers are the average headcount within each activity.
- Where costs have been allocated on the basis of expenditure, expenditure is determined as being either the total grant expenditure of the charitable activities; or where appropriate, based on a proportion of both grant and direct spend on the activity.

Group	Costs of generating funds £m	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**Total 2021 £m**	Allocation method
Funding administration	-	12.9	3.9	1.2	1.1	**19.1**	Expenditure/Directly attributed
Support of scientific research	-	20.2	-	-	-	**20.2**	Directly attributed
Operations	5.5	17.0	3.8	24.3	9.6	**60.2**	Headcount/Expenditure
Other	0.4	3.6	0.6	0.3	0.5	**5.4**	Expenditure
Governance costs	0.5	2.3	0.3	0.2	0.3	**3.6**	Expenditure/Directly attributed
	6.4	**56.0**	**8.6**	**26.0**	**11.5**	**108.5**	

Group	Costs of generating funds £m	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**Total 2020 £m**	Allocation method
Funding administration	-	11.3	4.1	1.3	2.6	**19.3**	Expenditure/Directly attributed
Support of scientific research	-	21.3	-	-	-	**21.3**	Directly attributed
Operations	4.5	16.1	3.5	22.7	10.4	**57.2**	Headcount/Expenditure
Other	0.4	3.7	0.5	0.5	1.9	**7.0**	Expenditure
Governance costs	0.5	1.6	0.2	0.2	0.8	**3.3**	Expenditure/Directly attributed
	5.4	**54.0**	**8.3**	**24.7**	**15.7**	**108.1**	

Trust	Costs of generating funds £m	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**Total 2021 £m**	Allocation method
Funding administration	-	12.9	3.9	1.2	1.1	**19.1**	Expenditure/Directly attributed
Operations	5.5	17.0	3.8	24.3	9.6	**60.2**	Headcount/Expenditure
Other	0.4	3.6	0.6	0.3	0.5	**5.4**	Expenditure
Governance costs	0.3	1.9	0.3	0.2	0.3	**3.0**	Expenditure/Directly attributed
	6.2	**35.4**	**8.6**	**26.0**	**11.5**	**87.7**	

Trust	Costs of generating funds £m	Science £m	Innovations £m	Culture & Society £m	Priority Areas £m	**Total 2020 £m**	Allocation method
Funding administration	-	11.3	4.1	1.3	2.6	**19.3**	Expenditure/Directly attributed
Operations	4.5	16.1	3.5	22.7	10.4	**57.2**	Headcount/Expenditure
Other	0.4	3.7	0.5	0.5	1.9	**7.0**	Expenditure
Governance costs	0.4	1.3	0.2	0.2	0.8	**2.9**	Expenditure/Directly attributed
	5.3	**32.4**	**8.3**	**24.7**	**15.7**	**86.4**	

10. Governance costs

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Governors' fees and expenses	**1.0**	0.9	**1.0**	0.9
Auditor's remuneration				
- parent company and consolidation	**0.7**	0.6	**0.7**	0.6
- audits of subsidiary undertakings	**0.4**	0.3	**-**	-
Internal audit	**1.5**	1.2	**1.3**	1.0
Other costs	**-**	0.3	**-**	0.3
	3.6	3.3	**3.0**	2.8

Internal audit services are those provided by the in-house internal audit team, together with the cost of specialist services provided by PricewaterhouseCoopers LLP.

The audit of subsidiary undertakings excludes fees due to the Trust's auditors Deloitte LLP relating to Premier Marinas Limited and Farmcare Limited of £0.3 million (2020: £0.2 million) excluding VAT and fees due to BDO LLP as auditors of Urban & Civic of £0.3m excluding VAT, as these entities are held as part of the investment portfolio.

These Deloitte LLP fees are taken into account for the purposes of monitoring the cap on the level of non-audit services as required by legislation.

In addition to the auditors remuneration above, total fees of £0.1 million (2020: £nil) excluding VAT were payable to the Group's auditors Deloitte LLP or associated firms for non-audit services. The Audit and Risk Committee and Deloitte LLP are satisfied that these additional fees did not represent a threat to the independence of the external auditors.

	Group		Trust	
Non-audit services split (excluding VAT)	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Bond issue	**0.1**	-	**0.1**	-
	0.1	-	**0.1**	-

11. Employee information

(a) Employee benefits

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Remuneration and salary benefits	**162.6**	124.8	**96.8**	73.1
Social Security costs	**13.0**	11.5	**7.4**	6.7
Pension costs and other benefits	**30.8**	47.7	**20.2**	25.6
	206.4	184.0	**124.4**	105.4

The Trust has implemented a new pay structure, this resulted in a number of pay increases in the current year. Remuneration and salary benefits also includes termination payments related to the major redesign of the organisation (refer to Our People page 56 and note 11(b) below) and amounts accrued for Long Term Incentive Plans for Investment team members (refer to note 5). Pension costs and other benefits includes the current service cost of the pension fund which is disclosed in note 11(e)(iii).

(b) Termination payments

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Redundancy	**7.3**	1.8	**7.1**	1.9
Other compensation	**0.2**	0.5	**0.1**	0.3
	7.5	2.3	**7.2**	2.2

(c) Average numbers of employees who served during the year

These numbers exclude employees of the investment subsidiaries held as part of the investment portfolio.

	Average	
	2021	2020
Trust	**878**	908
Subsidiary undertakings	**1,187**	1,061
Total for the Group	**2,065**	1,969
Analysed by		
Investments	**46**	43
Direct activities	**1,350**	1,250
Support	**669**	677
Total for the Group	**2,065**	1,969
Analysed by		
Investments	**46**	43
Direct activities	**361**	373
Support	**471**	493
Total for the Trust	**878**	908

The major redesign of the organisation (refer to Our People page 56) was concluded in September 2021 and therefore has had limited impact on average headcount for the Trust in 2021. 60 PhD students (2020: 53) at Genome Research Limited do not have a contract of employment with the Group, therefore are not included in the table above. The PhD students provide a significant contribution to the scientific research and have an agreement of support to carry out their own PhD thesis.

(d) Benefits of employees (salary, bonus and allowances)
The number of employees working on charitable activities of the Trust and its subsidiary undertakings whose benefits (salaries, bonuses, allowances and termination payments, but excluding employer pension contributions and employer National Insurance Contributions), fell within the following bands is shown in the table below. Wellcome's policy is to pay staff at market median. A new pay structure to achieve this was implemented by the Trust this year, during which a number of staff who were paid below market median received salary increases in order to address this. The pay structure implementation combined with the termination payments related to the major redesign of the organisation (refer to Our People page 56 and note 11(a)) has impacted the number of employees shown in the table below.

The emoluments of the Director included in the table below totalled £515,216 (2020: £483,788).

As noted in the Remuneration Report on page 65, information relating to the Investment team staff are not included in this table but are shown separately in note 5(b).

	Group		Trust	
	2021	2020	**2021**	2020
£60,000-£69,999	**166**	140	**84**	92
£70,000-£79,999	**108**	59	**64**	37
£80,000-£89,999	**52**	40	**36**	29
£90,000-£99,999	**34**	27	**27**	18
£100,000-£109,999	**28**	12	**23**	9
£110,000-£119,999	**20**	19	**14**	16
£120,000-£129,999	**18**	10	**16**	7
£130,000-£139,999	**17**	8	**11**	7
£140,000-£149,999	**7**	7	**5**	3
£150,000-£159,999	**11**	5	**5**	4
£160,000-£169,999	**7**	4	**6**	4
£170,000-£179,999	**8**	1	**6**	1
£180,000-£189,999	**6**	3	**6**	2
£190,000-£199,999	**3**	5	**3**	2
£200,000-£209,999	**7**	1	**5**	1
£210,000-£219,999	**3**	2	**3**	2
£220,000-£229,999	**1**	2	**1**	2
£230,000-£239,999	**1**	-	**1**	-
£240,000-£249,999	**2**	-	**2**	-
£250,000-£259,999	**2**	-	**2**	-
£260,000-£269,999	**2**	-	**2**	-
£270,000-£279,999	**-**	1	**-**	1
£290,000-£299,999	**1**	-	**1**	-
£300,000-£309,999	**1**	-	**1**	-
£310,000-£319,999	**1**	-	**1**	-
£340,000-£349,999	**1**	-	**1**	-
£350,000-£359,999	**1**	-	**-**	-
£360,000-£369,999	**-**	1	**-**	1
£370,000-£379,999	**2**	2	**1**	1
£380,000-£389,999	**1**	1	**-**	1
£440,000-£449,999	**1**	-	**1**	-
£480,000-£489,999	**-**	1	**-**	1
£510,000-£519,999	**1**	-	**1**	-
	513	351	**329**	241

Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 65-67.

The tables on the Remuneration Report on pages 66-67, together with the accompanying notes, form part of the audited Financial Statements.

(e) Retirement benefits

(i) Defined contribution Group Personal Pension plan

The Group provides a defined contribution Group Personal Pension plan into which both employee and employer contributions are paid. The employer contributions amounted to £7.9 million (2020: £6.8 million) and are included within Pension costs and other benefits in note 11(a). No amounts were unpaid at the end of the year (2020: £nil).

(ii) Defined benefit pension plan and Unfunded Unapproved Retirement benefit scheme

The Group sponsors two approved funded defined benefit schemes, the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. Genome Research Limited made the decision during the current year to cease further service accruals for existing members from 1st October 2021 and the Trust made the decision after the reporting date to cease further service accruals for existing members from 1st July 2022.

The day-to-day management of the Plans' investments has been delegated by the Trustees to the investment manager Legal & General Assurance (Pensions Management) Limited. The investment strategy of the Plan, adopted and regularly reviewed in consultation with the Group, is to be 100% in passive equities. In addition certain Wellcome Trust senior employees are members of an Unfunded Unapproved Retirement Benefit scheme 'UURBs'.

The FRS102 "Retirement benefits" actuarial valuation of the Wellcome Trust and Genome Research Limited defined benefit pension plans at 30 September 2021 showed a combined surplus of £145 million (2020: £69 million).

This surplus represents the difference between an assessment of the liabilities of the pension funds and the current value of their underlying assets. The amount of the surplus or deficit is subject to considerable variability because it depends on a valuation of assets at the year-end date and a range of actuarial assumptions impacting the liabilities.

FRS102 requires discount rates to be based on corporate bond yields of an appropriate duration, regardless of actual investment strategy and actual investment returns expected. This leads to a difference between the accounting deficit and the funding position under the triennial actuarial valuations.

The defined benefit pension schemes are required to have triennial actuarial valuations, which are then updated in an interim valuation each year at the balance sheet date of the schemes.

A full actuarial valuation of the Wellcome Trust Pension Plan was carried out at 31 December 2019; the valuation showed that the plan is fully funded.

A full actuarial valuation of the Genome Research Limited Pension Plan was carried out at 31 December 2018; the valuation showed that the plan is 98% funded.

During the year, £nil deficit funding contributions were made for GRL (2020: £nil million) and WT pensions in 2021 (2020: £4.6 million).

The liability values within the UURBs are calculated at individual member level. The cost of accrual contributes to the charge to the Statement of Financial Activities. As these benefits are unfunded, there is no corresponding asset value. The UURBs liability values represent the present value of providing top-ups to the benefits accrued to date within the approved Wellcome Trust Pension Plan, without restrictions imposed by the approved Plan rules. The assumptions used to value the benefits are as per those stated within the FRS102 disclosures.

The liabilities and the provision for other retirement benefits have been calculated using the following actuarial assumptions:

Trust	**2021 % per annum**	2020 % per annum	2019 % per annum
Inflation	**3.35**	3.10	3.25
Salary increases	**3.85**	3.60	3.75
Rate of discount	**2.00**	1.75	1.85
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.20**	3.00	3.10
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.35**	3.10	3.25
Allowance for commutation of pension for cash at retirement	**90% of Post A-Day**	90% of Post A-Day	90% of Post A-Day
Rate of increase of healthcare costs	**6.00**	6.00	6.00

(e) Retirement benefits (continued)

(ii) Defined benefit pension plan and Unfunded Unapproved Retirement benefit scheme (continued)

Genome Research Limited	**2021 % per annum**	2020 % per annum	2019 % per annum
Inflation RPI	**3.30**	3.05	3.15
Inflation CPI	**2.95**	2.70	2.15
Salary increases	**N/A**	3.55	3.65
Rate of discount	**2.00**	1.75	1.85
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.15**	3.05	3.05
Allowance for pension in payment increase of CPI or 3% p.a. if less	**2.30**	2.95	1.90
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.30**	2.15	3.15
Allowance for commutation of pension for cash at retirement	**90% of Post A-Day**	90% of Post A-Day	90% of Post A-Day
Rate of increase of healthcare costs	**6.00**	6.00	6.00

Announcements by HM Treasury and the UK Statistics Authority on 4 September 2019 propose changes to the calculation of the Retail Prices Index (RPI) to match the Consumer Price Index including Housing (CPIH) at some time from 2025 to 2030. This could reduce RPI-linked pension benefits by as much as 1% p.a. if or when CPIH is used instead of RPI, which would lead to a reduction in RPI-linked pension liabilities, or Defined Benefit Obligation. The formal consultation on the proposed changes to RPI was launched on 11 March 2020 and the outcome of this was announced on 25 November 2020. This announcement confirmed that RPI will increase in line with CPIH from 2030. The assumptions adopted to calculate the Defined Benefit Obligation as at 30 September 2021 included were derived based on the expectation that RPI will increase in line with CPIH from 2030 and therefore, although the exact impact on Wellcome's scheme will depend on how markets settle after this announcement, no adjustments have been made for this proposed change within the assumption for RPI used to calculate the Defined Benefit Obligation as at 30 September 2021 or 2020.

The Wellcome Trust and Genome Research Limited defined benefit pension plans have actuarial assumptions based on their respective durations of 26 and 29 years respectively.

The mortality assumptions adopted at 30 September 2021 imply the following life expectancies in years:

	2021	2020
Male retiring at age 60 in 2021	**26.8**	26.5
Female retiring at age 60 in 2021	**28.7**	28.4
Male retiring at age 60 in 2041	**28.3**	28.0
Female retiring at age 60 in 2041	**30.3**	30.0

The mortality assumptions used in the valuation of the defined benefit pension liabilities of both schemes and the provision for other retirement benefits are based on the base mortality table of S3 PMA (male) and S3 PFA (female) together with an allowance for mortality improvement in line with CMI 2019 projections and a 1.0% per annum minimum long-term rate of improvement.

(e) Retirement benefits (continued)

(iii) Charge to the Statement of Financial Activities – Pension and other retirement benefits

	Pension funds		Unfunded, unapproved scheme liabilities		Total	
Group	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Current service cost	**27.6**	30.2	**0.6**	0.5	**28.2**	30.7
Expenses	**0.6**	1.2	**-**	-	**0.6**	1.2
Interest on pension schemes' liabilities	**6.4**	7.1	**0.4**	0.4	**6.8**	7.5
Gains on Curtailments	**(11.4)**	-	**-**	-	**(11.4)**	-
Actuarial (gains)/losses	**(152.0)**	(25.9)	**(0.4)**	2.0	**(152.4)**	(23.9)
Total charge to the Statement of Financial Activities	**(128.8)**	12.6	**0.6**	2.9	**(128.2)**	15.5

	Pension fund		Unfunded, unapproved scheme liabilities		Total	
Trust	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Current service cost	**12.1**	14.2	**0.6**	0.5	**12.7**	14.7
Expenses	**0.3**	0.8	**-**	-	**0.3**	0.8
Losses due to benefit changes	**-**	-	**-**	-	**-**	-
Interest on pension schemes' liabilities	**2.9**	3.2	**0.4**	0.4	**3.3**	3.6
Actuarial (gains)/losses	**(84.7)**	(9.6)	**(0.4)**	2.0	**(85.1)**	(7.6)
Total charge to the Statement of Financial Activities	**(69.4)**	8.6	**0.6**	2.9	**(68.8)**	11.5

(iv) Present values of pension schemes' liabilities, fair value of assets and deficit

	Assets		Liabilities		Deficit	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Wellcome Trust Pension Plan	**419.1**	339.7	**(510.9)**	(507.7)	**(91.8)**	(168.0)
Genome Research Limited Pension Plan	**342.5**	274.7	**(475.7)**	(473.5)	**(133.2)**	(198.8)
Total pension plans	**761.6**	614.4	**(986.6)**	(981.2)	**(225.0)**	(366.8)
Wellcome Trust unfunded, unapproved scheme liabilities	**-**	-	**(23.4)**	(23.3)	**(23.4)**	(23.3)
Wellcome Trust Post-retirement medical benefits	**-**	-	**(0.8)**	(0.9)	**(0.8)**	(0.9)
Total other retirement benefits	**-**	-	**(24.2)**	(24.2)	**(24.2)**	(24.2)
Total pension liabilities	**761.6**	614.4	**(1010.8)**	(1,005.4)	**(249.2)**	(391.0)

(e) Retirement benefits (continued)

(v) Reconciliation of opening and closing balances of the present value of the pension plans' liabilities as at 30 September

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Plans' liabilities at start of year	**981.2**	941.4	**507.7**	485.5
Current service cost	**27.6**	30.2	**12.1**	14.2
Expenses	**0.6**	1.2	**0.3**	0.8
Interest cost	**17.2**	17.7	**8.9**	9.1
Contributions by scheme participants	**0.3**	-	**0.3**	-
Actuarial (gains)/losses	**(21.3)**	(0.8)	**(12.7)**	4.5
Benefits paid and death-in-service insurance premiums	**(7.6)**	(8.5)	**(5.7)**	(6.4)
Gains on Curtailments	**(11.4)**	-	**-**	-
Plans' liabilities at end of year	**986.6**	981.2	**510.9**	507.7

2021 analysis of the sensitivity to the principal assumptions of the value of the plans' liabilities.

Group		
Assumption	**Change in assumption**	**Impact on liabilities**
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £142.1m (14.4%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by £9.9m (1.0%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £108.5m (11.0%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £30.6m (3.1%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £12.8m (1.3%)

Trust		
Assumption	**Change in assumption**	**Impact on liabilities**
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £73.6m (14.4%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by £5.1m (1.0%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £56.2m (11.0%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £15.8m (3.1%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £6.6m (1.3%)

2020 analysis of the sensitivity to the principal assumptions of the value of the plans' liabilities.

Group		
Assumption	**Change in assumption**	**Impact on liabilities**
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £141.3m (14.4%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by £19.6m (2%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £114.8m (11.7%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £26.5m (2.7%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £12.8m (1.3%)

Trust		
Assumption	**Change in assumption**	**Impact on liabilities**
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £73.1m (14.4%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by £10.2m (2%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £59.4m (11.7%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £13.7m (2.7%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £6.6m (1.3%)

(e) Retirement benefits (continued)
(vi) Reconciliation of opening and closing balances of the fair value of the plans' assets as at 30 September

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Fair value of plan assets at start of year	**614.4**	569.6	**339.7**	316.7
Expected return on plan assets	**10.8**	10.6	**6.0**	5.9
Actuarial gains	**130.7**	25.1	**72.0**	14.1
Contributions by the Group employers	**13.0**	17.6	**6.8**	9.4
Contributions by scheme participants	**0.3**	-	**0.3**	-
Benefits paid and death-in-service insurance premiums	**(7.6)**	(8.5)	**(5.7)**	(6.4)
Fair value of plan assets at end of year	**761.6**	614.4	**419.1**	339.7

These figures are for the pension schemes and exclude the other retirement benefits which are included in table 11(e)(iv) above.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

(vii) Amounts for the current and previous four years as at 30 September

Group	**2021 £m**	2020 £m	2019 £m	2018 £m	2017 £m
Fair value of plans' assets	**761.6**	614.4	569.6	526.0	458.5
Present value of plans' liabilities	**(986.6)**	(981.2)	(941.4)	(728.2)	(706.4)
Deficit in plans	**(225.0)**	(366.8)	(371.8)	(202.2)	(247.9)
Experience adjustment on plans' assets	**130.7**	25.1	13.7	34.9	69.1
Experience adjustment on plans' liabilities	**7.8**	(1.8)	(0.9)	(1.3)	(9.4)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan's liabilities	**13.5**	2.6	(171.0)	22.4	93.7

Trust	**2021 £m**	2020 £m	2019 £m	2018 £m	2017 £m
Fair value of plans' assets	**419.1**	339.7	316.7	295.0	260.9
Present value of plans' liabilities	**(510.9)**	(507.7)	(485.5)	(383.3)	(373.8)
Deficit in plan	**(91.8)**	(168.0)	(168.8)	(88.3)	(112.9)
Experience adjustment on plans' assets	**72.0**	14.1	7.7	19.7	39.7
Experience adjustment on plans' liabilities	**3.9**	(3.3)	(0.2)	(0.8)	(10.0)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan's liabilities	**8.8**	(1.2)	(85.0)	10.7	45.0

(viii) Estimate of contributions to be paid to scheme
The best estimate of contributions to be paid by the employer to the Wellcome Trust scheme for the period beginning 1 October 2021 is £5.4 million (2020: £7.1 million), which includes £nil (2020: £nil) of deficit funding, noting the decision taken after the reporting date to cease future service accruals from 1 July 2022.

The best estimate of the contributions to be paid by the employer to the Genome Research Limited scheme for the period beginning 1 October 2021 is £nil million (2020: £7.9 million), which includes £nil (2020: £nil) of deficit funding, noting the decision taken in the year to cease future service accruals from 1 October 2021.

12. Remuneration of Governors

Information on Governors' remuneration is included in the Remuneration Report on page 66.

13. Taxation

Group	2021 £m	2020 £m
(a) Current Tax		
UK Corporation Tax on profits for the year	**-**	0.1
Adjustments in respect of prior periods	**(0.4)**	0.2
UK corporation tax on CFC deemed income	**0.3**	0.2
Total current tax	**(0.1)**	0.5
(b) Deferred Tax		
Origination and reversal of timing differences	**(11.5)**	(23.0)
Effect of change in UK tax rate	**22.0**	9.9
Total deferred tax	**10.5**	(13.1)
Taxation	**10.4**	(12.6)

Group	2021 £m	2020 £m
(c) Reconciliation of Tax Charge		
Profit/(loss) on ordinary activities before taxation on subsidiaries subject to taxation	**18.6**	274.1
Profit/(loss) before tax multiplied by average rate of corporation tax of 19% (2020: 19%)	**3.5**	52.1
Effects of:		
Income not subject to tax	**(38.8)**	(62.5)
Impairment losses not deductible for tax purposes	**2.0**	4.7
Other permanent differences	**3.9**	-
Temporary differences:		
Chargeable gains/(losses)	**12.3**	50.2
Adjust opening deferred tax to average rate 19%		(2.2)
Deferred tax not recognised	**7.4**	2.3
Gift aid donation paid	**(30.2)**	(70.9)
Adjustments to tax charge in respect of previous periods - deferred tax	**0.1**	(1.3)
Tax apportioned on CFC profits	**0.3**	0.3
Remeasurement of deferred tax for changes in tax rates	**16.8**	8.9
Expenses not deductible for tax purposes	**33.4**	5.6
Adjustments to tax charge in respect of previous periods	**(0.4)**	0.2
Utilisation of tax losses carried back	**0.1**	-
Taxation	**10.4**	(12.6)

The UK corporation tax rate for the period was 19%. Following the UK budget announcement on 3 March 2021, the UK corporation tax rate is due to rise to 25% on 1 April 2023, in cases where taxable profits exceed £250,000.

For the purposes of reporting under FRS102 the investment subsidiaries must provide for deferred tax on temporary timing differences. These temporary timing differences arise due to increases or decreases in the fair value of the investments held in these subsidiaries, which will not be taxable until these investments are sold.

The estimated cost of irrecoverable Value added tax suffered by the Group in the year was £21.4 million (2020: £16.1 million).

14. Tangible fixed assets

(a) Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	**Total £m**
Cost as at 1 October 2020	478.0	1.5	275.5	4.4	**759.4**
Additions	1.3	-	17.8	6.0	25.1
Transfers	1.0	-	1.1	(2.1)	-
Disposals	-	-	(4.1)	-	(4.1)
Cost as at 30 September 2021	**480.3**	**1.5**	**290.3**	**8.3**	**780.4**
Accumulated depreciation as at 1 October 2020	138.4	1.5	207.7	-	**347.6**
Charge for the year	9.0	-	15.3	-	24.3
Transfers	-	-	-	-	-
Disposals	-	-	(4.0)	-	(4.0)
Accumulated depreciation as at 30 September 2021	**147.4**	**1.5**	**219.0**	**-**	**367.9**
Net Book Value as at 30 September 2021	**332.9**	**-**	**71.3**	**8.3**	**412.5**
Net Book Value as at 30 September 2020	339.6	-	67.8	4.4	**411.8**

(b) Trust

	Freehold land and buildings £m	Long leasehold land and buildings £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	**Total £m**
Cost as at 1 October 2020	232.7	1.5	131.0	2.4	**367.6**
Additions	-	-	1.1	1.7	2.8
Transfers	-	-	1.0	(1.0)	-
Disposals	-	-	(0.7)	-	(0.7)
Cost as at 30 September 2021	**232.7**	**1.5**	**132.4**	**3.1**	**369.7**
Accumulated depreciation as at 1 October 2020	71.2	1.5	80.6	-	**153.3**
Charge for the year	3.8	-	5.1	-	8.9
Transfers	-	-	-	-	-
Disposals	-	-	(0.7)	-	(0.7)
Accumulated depreciation as at 30 September 2021	**75.0**	**1.5**	**85.0**	**-**	**161.5**
Net Book Value as at 30 September 2021	**157.7**	**-**	**47.4**	**3.1**	**208.2**
Net Book Value as at 30 September 2020	161.5	-	50.4	2.4	**214.3**

Heritage assets

No heritage assets have been capitalised in the current financial year and the Trust did not capitalise any assets in previous years.

Nature of the assets

The Trust has several collections of heritage assets comprising substantial core collections of visual items and material objects, printed and published rare materials, archives, and manuscripts, which are retained and developed in accordance with museum, archive and library best practice. It also holds support collections of objects, artworks, printed, published and digital materials, which are in current use for exhibition, reference, research or other similar purposes. Both core and support collections are held in support of one of the Trust's main objectives of advancing and promoting knowledge and education.

The core collection includes Sir Henry Wellcome's Museum Collection of mainly three-dimensional objects. The most significant part of this collection has been on long-term loan to the Science Museum since 1976 with smaller elements on long-term loan at other institutions. Most of the remaining core and support collection is held at the premises in Euston Road but there are also off-site storage facilities situated in London and Cheshire.

Policy for acquisition

Materials selected for acquisition must be in service of Wellcome Collection's overall mission to challenge the way we think and feel about health by exploring the connections between science, medicine, life and art. They must also comply with our published collections development policy, including with regard to ethical and legal considerations.

Conservation and Collections Care

The Trust recognises its responsibility to conserve and care for the core collections, to ensure that their documentation, storage, location control, treatment and use all adheres to appropriate national and international guidelines, accreditation standards and code of ethics.

Wellcome Collection is both an accredited museum and an accredited archive, having been awarded full accreditation under schemes administered by Arts Council England and The National Archives.

We are bound by the Code of Conduct and Professional Standards from the Institute of Conservation, Museums Association and the British Standards relating to

'Conservation of Cultural Heritage', 'Conservation and care of archive and library collections', 'Conservation Process: Decision Making, Planning and Implementation' and 'Procurement of Conservation Services and Works'. We use the Publicly Available Specifications (PAS) 197:2009 'Code of practice for cultural collections management' to ensure the collections are stored and displayed in a safe, secure and sustainable way in line with best practice without compromising their physical, historical or structural integrity.

The Trust continually develops repository and management systems for digital materials and monitors the digital environment for risk factors such as software or hardware obsolescence and the impact of new technologies.

Disposal

The Trust operates a rolling programme of collections review across its core and support collections. Material may be removed from the collections for the reasons as set out in our published collections development policy. We only take the decision to dispose of material from our core collections following careful consideration of the public benefit and seeking both expert advice and the views of stakeholders, such as donors, researchers, local and source communities. The Trust follows disposal procedures in accordance with the standards set out by the Collections Trust, The National Archives and Chartered Institute of Library and Information Professionals.

Security and insurance

In order to assure security and safety of the collections, various procedures are in place including: registration of users; request of proof of identity prior to access; explanation of handling of materials; video surveillance; limits to amounts of closed access material in reading room; checking of returned material and security tagging; material risk assessments for fire, flood and theft; compliance with appropriate British Standards; fire precaution, fire detection and extinguishing systems; flood warning and egress of water systems; intruder alarms; locking up and opening procedures; monitoring of storage areas; maintenance checklist; and procedures for evacuation of premises.

As part of the Trust's Business Continuity Plan, Wellcome Collection has a disaster and salvage plan in place. Wellcome Collection also has a contract with Harwell which provides support for the majority of the disaster and salvage issues that may arise. Wellcome Collection materials are insured against damage or loss due to fire, flood, or terrorist activity at named locations, unnamed locations and while in transit. The collections are not insured for full replacement value as it is not possible to quantify this and the nature of the items held means that they are often irreplaceable.

15. Investments

(a) Quoted investments, Unquoted investments and Investment properties

Group	Fair value 1 October 2020 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	**Fair value 30 September 2021 £m**
Total quoted investments	14,762.7	3,914.1	(3,897.1)	2,512.3	**17,292.0**
Total unquoted investments	13,766.8	3,347.8	(4,631.6)	6,331.3	**18,814.3**
Total investment properties	1,292.1	27.4	(46.9)	293.5	**1,566.1**
Total	29,821.6	7,289.3	(8,575.6)	9,137.1	**37,672.4**

Trust	Fair value 1 October 2020 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	**Fair value 30 September 2021 £m**
Total quoted investments	13,883.5	3,914.1	(3,897.1)	2,702.2	**16,602.7**
Total unquoted investments	12,775.0	2,750.4	(4,681.3)	6,170.4	**17,014.5**
Total investment properties	1,164.3	8.7	(46.8)	297.9	**1,424.1**
Total	27,822.8	6,673.2	(8,625.2)	9,170.5	**35,041.3**

The significance of and the exposure associated with the investment assets are discussed in the Review of Investment Activities section of the Trustee's Report.

During the year, the maximum aggregate fair value of quoted investment securities on loan was £1,105.0 million (2020: £511.0 million) and the Group held £1,155.5 million (2020: £533.2 million) as collateral in respect of these securities. The income receivable due to securities lending activities is disclosed in note 3. No loaned securities were recalled but not obtained during the year and therefore no collateral was retained.

The unquoted investment balance shown above includes investments in associates and joint ventures held at fair value of £96.4 million (2020: £118.8 million). As their value to the Group is through fair value rather than as a medium through which the Group carries out business, the Trustee considers this the most appropriate accounting policy. This is a departure from the SORP, which requires that all such investments are accounted for using the equity method of accounting. In a further departure from the SORP, the impact of accounting for such investments on an equity accounting basis has not been quantified. Due to the number of investments made, often over a number of years, the cost to our associates and joint ventures of providing the required additional historic reporting is considered to be disproportionate to the value that would be added by the disclosure.

During 2018, Wellcome Trust issued £750.0 million 2.517% Guaranteed Bonds due 2118 ('2118 bonds'). The liability is included in note 17. As part of the consideration of the issuance of the Bonds it was decided that we would start to plan for the upcoming maturity of its 4.75% Guaranteed Bonds due May 2021 ('2021 bonds'). As such, prior to the 2118 bonds issue, the Wellcome Trust placed a sum of £275.0 million, being the principal amount of the 2021 bonds, into a segregated account with the custodian, to be held for the purposes of repaying the principal amount of such 2021 bonds at their scheduled maturity in 2021. This sum has been realised during the year to fund the repayment of the 2021 during the year and therefore there are now no segregated assets (2020: £270.6 million) included in Quoted investments above.

During the year the Group had the following transactions with associates, joint ventures or subsidiaries held as part of the investment portfolio and not consolidated, which are related party entities:

- purchases in the form of equity and debt, including the purchase of Urban&Civic plc, of £549.8 million (2020: £15.4 million); and
- received sales proceeds of £65.4 million (2020: £762.5 million).

Investment properties in the Group and the Trust have been valued at market value generally in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations were carried out by CBRE, Cluttons, Gerald Eve, Jones Lang Lasalle, Strutt & Parker and Cushman & Wakefield.

b) Derivative financial instruments

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Derivative financial instrument asset positions	**30.8**	71.3	**30.8**	71.3

Derivative financial instrument liabilities for the Group and Trust are included within creditors, disclosed in note 17.

The Group's use of derivative financial instruments comprises:

Forward currency contracts and currency options
Forward currency contracts and currency options are used to hedge investment assets denominated in foreign currency into Pounds Sterling and as part of the investment strategy to have a globally diversified currency exposure.

Financial futures, options and warrants
The use of futures, options and warrants constitutes part of the Trust's portfolio management including: a substitution for investing in physical assets, a part of the Trust's long-term investment return strategy entered into with the expectation of realising gains, and adjusting asset exposures within the parameters set in the Trust's investment policy.

(c) Investment cash and certificates of deposit and other investment assets

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Investment cash and certificates of deposit	**3,820.3**	2,701.4	**3,806.9**	2,697.0
Cash collateral held	**128.7**	33.1	**128.7**	33.1
Accrued income from investments	**9.2**	7.3	**6.9**	5.2
Income receivable	**37.4**	35.0	**37.2**	35.1
Proceeds receivable on sale of investments	**11.3**	3.7	**11.3**	3.7
Other investment debtors	**9.5**	12.2	**7.0**	8.0
Other investments assets	**196.1**	91.3	**191.1**	85.1

(d) Programme related investments

Group	Book value 1 October 2020 £m	Purchases £m	Disposals £m	Net write-downs £m	Unrealised Gains	**Book value 30 September 2021 £m**
Loans – other	-	(1.0)	-	1.0	-	**-**
Loans	-	(1.0)	-	1.0	-	**-**
Equities – Diamond Light Source	-	3.1	-	(3.1)	-	**-**
Equities – MSD-Wellcome Trust Hilleman Laboratories	-	2.5	-	(2.5)	-	**-**
Equities – other	26.8	3.1	(6.7)	2.2	2.6	**28.0**
Equities	26.8	8.7	(6.7)	(3.4)	2.6	**28.0**
Revenue share – other	-	10.4	(0.3)	(10.1)	-	**-**
Revenue share	-	10.4	(0.3)	(10.1)	-	**-**
Total	26.8	18.1	(7.0)	(12.5)	2.6	**28.0**

Programme related investments form a portfolio managed separately from the Trust's other investments. These investments are held primarily to further the charitable aims of the Trust rather than to provide a financial return. They are held at fair value, if this can be measured reliably; or if fair value cannot be measured reliably, at cost less impairment.

Commitments to Programme Related Investments are detailed in note 19.

Diamond Light Source Limited
Equities include a 14% equity interest in Diamond Light Source Limited, a company established to construct and operate a synchrotron in Oxfordshire. Under the shareholding agreement, there is no intrinsic value in the equity and the cost has therefore been fully written down and included within Science direct expenditure.

MSD-Wellcome Trust Hilleman Laboratories
Equities include a 50% equity interest in SCS Pharma Research and Development Private Limited (known as MSD-Wellcome Trust Hilleman Laboratories) based in India and Hilleman Singapore Pte Limited, a new company set up in early 2021 based in Singapore. Both companies were established to develop affordable vaccines to prevent diseases that commonly affect low and middle- income countries. Under the shareholding agreement, there is no intrinsic value in the equity and the cost has therefore been fully written down and reflected within Innovations direct expenditure.

Other
The Trust has provided funding to 98 (2020: 94) often early-stage companies to carry out biomedical research projects with potential to deliver health benefits.

It is the Trust's policy to write off the cost of the investment in these often early-stage companies as it is not anticipated that this cost will be recovered. At each year end, a review of the programme related investment portfolio is performed, to assess if any individual assets have value. Where the assets have value, any impairment on such assets is reversed.

The unrealised gains reflect the additional fair value uplift where the value of an asset has increased above the cost.

Any income received or gains realised are included in the Statement of Financial Activities within other charitable income (and are therefore not in the table above).

(e) Fair value of financial assets and liabilities

The fair values and book values of the Group's financial assets and liabilities shown on the Balance Sheet are the same with the exception of the bond liabilities which are measured at amortised cost.

The value of the bond liabilities presented in the Trustee's Report (Figure 6 on page 27) £3,368 million (2020: £3,470.8 million) is the sum of the fair value of the bond liabilities and the accrued interest on these liabilities.

The following table categorises the fair values of the Group's financial assets and liabilities based on the inputs to the fair value. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – valued using quoted prices in active markets for identical assets.
- Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques (to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations) using inputs that are not based on observable market data.

Assets at fair value as at 30 September 2021

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Quoted investments	17,292.0	-	-	**17,292.0**
Unquoted investments	-	5,985.0	12,829.3	**18,814.3**
Derivative financial instruments asset positions	-	30.8	-	**30.8**
Programme related investments	28.0	-	-	**28.0**
	17,320.0	6,015.8	12,829.3	**36,165.1**

Assets at fair value as at 30 September 2020

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Quoted investments	14,617.6	145.1	-	**14,762.7**
Unquoted investments	-	4,497.0	9,269.8	**13,766.8**
Derivative financial instruments asset positions	-	71.3	-	**71.3**
Programme related investments	26.8	-	-	**26.8**
	14,644.4	4,713.4	9,269.8	**28,627.6**

(e) Fair value of financial assets and liabilities (continued)

Liabilities at fair value as at 30 September 2021

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Derivative financial instruments liabilities	-	6.0	-	**6.0**

Liabilities at fair value as at 30 September 2020

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Derivative financial instruments liabilities	-	43.4	-	**43.4**

Unquoted investments include investments in hedge funds, private equity funds, property funds, direct investments and investment operating subsidiaries. For the funds the Group categorises the investments based on the fair value classification of the underlying assets and liabilities of the funds.

Derivative financial instruments comprise:

- equity index futures and option positions which are exchange traded and valued at current price meet the criteria of Level 1;
- forward currency contracts assets and liabilities which are over the counter derivatives which derive their value from market exchange rates and therefore meet the criteria of Level 2; and
- long options and warrants asset positions which are valued with reference to the underlying, which are unquoted securities, and therefore meet the criteria of Level 3.

For Level 3 investments:

- private equity and venture funds are valued at the most recent valuation from the fund manager, which is usually the net asset value of the fund; and
- unquoted direct investments and programme related investments are held at the valuation determined by management, with valuations, when provided by a third party investment manager as a key input subject to appropriate review by management. Further details of valuation assumptions used for key areas of estimation are provided in note 2.

(f) Realised and unrealised gains/(losses) on investments

		Group		Trust	
	Note	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Quoted investments	15(a)	**2,512.3**	1,272.5	**2,702.2**	1,253.0
Unquoted investments	15(a)	**6,331.3**	1,743.2	**6,170.4**	1,483.9
Investment properties	15(a)	**293.5**	(12.4)	**297.9**	12.5
Derivative financial instruments					
Currency overlay		**24.9**	12.1	**24.9**	12.1
Other derivative financial instruments		**39.6**	281.0	**39.6**	281.0
Shares in subsidiary undertakings		**-**	-	**(113.1)**	(242.3)
Short term investments		**0.6**	3.3	**0.4**	3.3
Foreign exchange losses on monetary assets		**31.4**	(1.3)	**38.7**	0.7
Foreign exchange losses on bond liabilities		**18.9**	(8.8)	**18.9**	(8.8)
		9,252.5	3,289.6	**9,179.9**	2,795.4

(g) Reconciliation to Trustee's Report

The presentation of investment balances in notes 15 and 17 is in accordance with the statutory asset and liability classifications. However, the investment portfolio is reported by investment strategy for management purposes and for the Trustee's Report. The distinct classes of assets used and reported on within the Trustee's Report are: public equity; private equity; hedge funds; property; and cash.

This note reconciles the net investment asset fair value at the balance sheet date as presented within the Trustee's Report to the presentation within the Financial Statements. The market value of each asset class presented in the Trustee's Report is equal to the net investment assets and liabilities, held within portfolios with that applicable investment strategy.

The assets and liabilities presented in the Consolidated Balance Sheet and notes reconcile to Figure 6 in the Trustee's Report as follows:

	Note	**2021 £m**	2020 £m
Quoted investments	15(a)	**17,292.0**	14,762.7
Unquoted investments	15(a)	**18,814.3**	13,766.8
Investment property	15(a)	**1,566.1**	1,292.1
Derivative financial instrument asset positions	15(b)	**30.8**	71.3
Investment cash and certificates of deposit	15(c)	**3,820.3**	2,701.4
Other investment assets	15(c)	**196.1**	91.3
Programme related investments	15(d)	**28.0**	26.8
Investment assets as presented in the Financial Review		**41,747.6**	32,712.4
Derivative financial instrument liabilities	17	**(6.0)**	(43.4)
Amount payable on acquisition of investments	17	**(1.6)**	(1.1)
Cash collateral creditor	17	**(128.7)**	(33.1)
Deferred income from investments	17	**(6.7)**	(4.1)
Other investment liabilities	17	**(26.3)**	(36.1)
Total investment assets		**41,578.3**	32,594.6
Bond liabilities at amortised cost falling due within one year	17	**(29.0)**	(305.2)
Bond liabilities at amortised cost falling due between one and five years	17	**-**	-
Bond liabilities at amortised cost falling due after five years	17	**(2,770.3)**	(2,042.1)
Total interest bearing liabilities		**(2,799.3)**	(2,347.3)
Total investment assets		**41,578.3**	32,594.6
Total interest bearing liabilities		**(2,799.3)**	(2,347.3)
Adjusted for:			
Restatement of bond liabilities to fair value		**(568.8)**	(1,123.5)
Programme related investments not in investment asset allocation	15(d)	**(28.0)**	(26.8)
Other investments not in asset allocation		**0.6**	(10.3)
Total assets net of Bond liabilities per Figure 6		**38,182.8**	29,086.7

Other investments not in asset allocation relate to quoted investments managed by Innovations unquoted investments held by Genome Research Limited.

	2021	2020
Leverage (Total interest bearing liabilities/Total investment assets)	**6.7%**	7.2%

16. Debtors

	Group		Trust	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Amounts owed by subsidiary undertakings	**-**	-	**270.2**	9.1
Other debtors	**19.3**	18.0	**1.7**	2.9
Prepayments and accrued income	**32.0**	11.6	**4.4**	4.4
	51.3	29.5	**276.3**	16.4

17. Creditors

		Group		Trust	
	Note	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Falling due within one year					
Amounts owed to subsidiary undertakings		**-**	-	**1,417.5**	1,771.5
Grant liabilities	8	**823.2**	657.5	**879.7**	719.2
Bond liabilities		**29.0**	305.2	**24.2**	21.3
Amount payable on acquisition of investments		**1.6**	1.1	**1.6**	1.1
Cash collateral creditor		**128.7**	33.1	**128.7**	33.1
Deferred income from investments		**6.7**	4.1	**6.5**	3.7
Derivative financial instrument liabilities		**6.0**	43.4	**6.0**	43.4
Other investment liabilities		**26.3**	36.1	**23.4**	35.5
Trade creditors		**27.5**	8.2	**4.1**	3.8
Other creditors		**58.5**	29.5	**55.1**	27.3
Accruals and deferred income		**52.3**	58.4	**13.0**	10.3
Corporation tax		**0.6**	1.0	**-**	-
Total falling due within one year		**1,160.4**	1,177.6	**2,559.8**	2,670.2
Falling due between one and five years					
Grant liabilities	8	**1,485.5**	1,429.3	**1,606.7**	1,563.2
Other creditors		**2.8**	2.6	**-**	-
Lease premium creditor		**2.1**	2.1	**-**	-
Bond liabilities		**-**	-	**-**	-
		1,490.4	1,434.0	**1,606.7**	1,563.2
Falling due after five years					
Grant liabilities	8	**167.4**	184.7	**167.4**	202.1
Lease premium creditor		**14.5**	15.0	**-**	-
Bond liabilities		**2,770.3**	2,042.1	**2,227.6**	1,499.8
		2,952.2	2,241.8	**2,395.0**	1,701.9
Total falling due after one year		**4,442.6**	3,675.8	**4,001.7**	3,265.1

The 2021 Bonds (£275 million 4.75% Guaranteed Bonds due in May 2021) were repaid during the year refer to note 15(a) for the Group's plan for the upcoming maturity. All liabilities are unsecured.

In July 2021 the Trust issued £750 million 1.500% Bonds due 2071 ('2071 bonds').

18. Provisions for liabilities and charges

Group	Deferred tax £m	Employment related provisions £m	Other provisions £m	**Total £m**
As at 1 October 2020	72.9	71.3	3.8	148.0
Charge for the year	8.4	35.0	2.3	45.7
Utilised in year	-	(10.2)	(2.7)	(12.9)
As at 30 September 2021	**81.3**	**96.1**	**3.4**	**180.8**

Trust	Employment related provisions £m	Other provisions £m	**Total £m**
As at 1 October 2020	67.6	4.5	72.1
Charge for the year	34.6	0.4	35.0
Utilised in year	(10.2)	-	(10.2)
As at 30 September 2021	**92.0**	**4.9**	**96.9**

The employment-related provisions relates to long-term incentive plans for certain employees in the Investment Division (refer note 5(a)) and unfunded unapproved retirement benefit schemes (refer to note 11(e)(ii)).

19. Commitments and contingent liabilities

(a) Investments

The Trust has entered into commitments to invest in private equity and property funds. At the balance sheet date, outstanding commitments amounted to £2,779.1 million (2020: £2,937.8 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. The Trust expects to invest £1,076.56 million (38.74%) of the outstanding commitments in one year, £1,220.01 million, (43.90%) in between one and five years and £482.52 million (17.36%) after five years.

(b) Pensions

Wellcome has previously agreed with the GRL Pension Plan Trustee to put in place a Deed of Guarantee. The obligations of the Deed, guaranteed by Wellcome, are that GRL pays the necessary contribution as agreed with the Trustee and the Plan Actuary and that any deficit in the funding identified by a full actuarial valuation will be repaid over a period of five years or less. Further details of the funding of the GRL Pension Plan are provided in note 11(e)(ii).

(c) Programme related investments

Programme related convertible loans and equity funding have been made over a series of years, of which £53.5 million (2020: £5.2 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

The Trust has made a £50 million programme related investment into the AMR Action Fund; a newly created impact investment fund established to support antibiotic development. No drawdowns have been made to date and therefore the outstanding commitment as at 30 September 2021 was £50 million.

The Trust has committed to fund 14% of the operating capital of Diamond Light Source Limited. The outstanding commitment as at 30 September 2021 was £6 million (2020: £2.9 million).

During the year, the Trust incurred £2.5million (2020: £2.1 million) in expenditure relating to an entity in India, MSD- Wellcome Trust Hilleman Laboratories. The outstanding commitment as at 30 September 2021 was £16.2 million (2020: £18.7 million).

(d) Grant funding activities

In prior years, the Innovations division has made Seeding Drug Discovery grants of £172.9 million, of which £171.5 million has been included in grant expenditure in current and prior financial years. The remaining £1.4 million is contingent upon specific funding-related milestones being met and has therefore not been included within grant liabilities.

To date the Trust has incurred £75.3 million for expenditure relating to Wellcome Trust-DBT India Alliance. Subject to appropriate approval, the Trust will contribute up to £16 million over the next four years.

During the year, Wellcome incurred £2.1 million in expenditure relating to a partnership between Wellcome, the UK Medical Research Council, the UK Department for International Development and the UK Department of Health to fund clinical trials in low and middle-income countries. Subject to review and approval of appropriate applications, Wellcome will contribute up to a further £3.2 million over the next year.

Wellcome has not incurred any expenditure (2020: £2.0 million) relating to a joint initiative between Wellcome, the UK Department for International Development, the Economic and Social Research Council and the UK Medical Research Council to fund health systems research in low and middle-income countries. Subject to review and approval of appropriate applications, Wellcome will contribute up to £4.0 million over the next year.

During the year the Trust has incurred £2.8 million in expenditure relating to a partnership with the British Heart Foundation, Cancer Research UK, Scottish Ministers acting through their Chief Scientist Office of the Scottish Government Health and Social Care Directorates, Engineering and Physical Sciences Research Council, Medical Research Council, Natural Environment Research Council, Department of Health and Social Care acting through its National Institute for Health Research, Health and Social Care Research and Development Division, Welsh Government, Public health Agency and The Health Foundation to fund research into population-level strategies that will prevent non-communicable diseases and reduce inequalities in health. Wellcome will contribute up to £1.0 million over the next year.

In 2017, the Trust entered into a partnership with the US Government's Biomedical Advanced Research and Development Authority (BARDA), Germany's Federal Ministry of Education and Research (BMBF), the UK Government's Department of Health and Social Care (DHSC), through its Global Antimicrobial Resistance Innovation Fund (GAMRIF), the Bill & Melinda Gates Foundation and Boston University to create the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) to support preclinical product development of new antibiotics.

£19.7 million was committed during the year, subject to review and approval of appropriate applications. The Trust will contribute up to £17.1 million over the next year for this initial phase. New phase of funding for CARB-X amounting to £50.9 million was approved during the year, of which £7.0 million is available subject to review and approval of appropriate applications. There were no applications approved this year, therefore no amounts have been included within grant liabilities. The availability of the remaining £43.0 million is subject to specific conditions being fulfilled, none of which were fulfilled as at 30 September 2021.

(e) Capital Commitments

As at 30 September 2021, Wellcome and Genome Research Limited had commitments contracted and not provided for of £54.2 million: (2020: 36.6 million) and £3.0 million (2020: £0.8 million) respectively. These relate to refurbishment of investment properties and Sanger Campus redevelopment. It is probable that this work will be completed but as it has not commenced, the timings and final amounts are uncertain.

20. Movement in Charity Funds

Group	Balance as at 1 October 2020 £m	Income £m	Expenditure £m	Net investment gains £m	Balance as at 30 September 2021 £m
Restricted Funds	19.5	65.9	(65.6)	-	**19.8**
Unrestricted Funds	27,802.3	344.4	(1,158.4)	9,252.5	**36,240.8**
Total Charity Funds	27,821.8	410.3	(1,224.0)	9,252.5	**36,260.6**

Group	Balance as at 1 October 2019 £m	Income £m	Expenditure £m	Net investment gains £m	Balance as at 30 September 2020 £m
Restricted Funds	25.1	46.6	(52.3)	-	**19.4**
Unrestricted Funds	25,189.3	417.0	(1,093.5)	3,289.6	**27,802.4**
Total Charity Funds	25,214.4	463.6	(1,145.8)	3,289.6	**27,821.8**

All restricted funds arise in Genome Research Limited.

21. Group undertakings

a) Summary of activities of significant subsidiary undertakings

Company	% Holding	Registered Number	Country of incorporation	Legal relationship
Genome Research Limited	100%	2742969	England	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal members
Wellcome Leap Inc.	100%	N/A	United States of America	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal members
Gower Place Investments Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08594660	England	The Wellcome Trust Limited is the shareholder
North London Ventures Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08226374	England	The Wellcome Trust Limited is the shareholder
Wellcome Trust Finance plc	100%	5857955	England	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investments 2 Unlimited	100%	6576220	England	The Wellcome Trust Limited is the sole shareholder

These significant subsidiaries are:

- charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust – refer to note 21(b)(i);
- non-charitable investment holding subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust where the net asset value is in excess of £300 million – refer to note 21(b)(ii); and
- a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities – refer to note 21(b)(iii).

All subsidiaries are registered at 215 Euston Road, London, NW1 2BE.

The table below details the subsidiaries that are held as part of the investment portfolio. They are not included in the consolidation and therefore do not appear in the analysis in note 21(b).

Company	% Holding	Registered Number	Country of incorporation	Legal relationship
Farmcare Trading Limited	100% (indirect through Gower Place Investments Limited)	09152445	England	The Wellcome Trust Limited is the indirect shareholder through Gower Place Investments Limited
Premier Marinas Holdings Limited	100% (indirect through Gower Place Investments Limited)	05524490	England	The Wellcome Trust Limited is the indirect shareholder through Gower Place Investments Limited
Urban&Civic PLC	100% (indirect through Gower Place Investments Limited)	SC149799	England	The Wellcome Trust Limited is the indirect shareholder through Gower Place Investments Limited

(a) Summary of activities of significant subsidiary undertakings (continued)

The Trust has taken advantage of an exemption from audit available under 479A to 479C of the Companies Act 2006 for the following subsidiaries which are all registered in England:

Wellcome Trust Investments 1 Unlimited

Wellcome Trust Investments 2 Unlimited

Wellcome Trust Investments 3 Unlimited

The Wellcome Trust Limited has provided the appropriate guarantee for all liabilities of these entities.

The Trust has taken advantage of an exemption from audit available under Regulation 7 of the Partnership (Accounts) Regulations 2008 for the following partnerships:

Wellcome Trust Scottish Limited Partnership – registered in Scotland.

(b) Summary financial information

The expenditure figures below include the impact of gift aid distributions and tax.

(i) Charitable subsidiary undertaking

	Genome Research Limited	
	2021 £m	2020 £m
Income	**221.5**	156.4
Expenditure	**(207.8)**	(171.9)
Actuarial gains/(losses) on defined benefit pension scheme	**67.3**	16.3
Net movements in funds	**81.0**	0.8
Total assets	**251.7**	233.1
Liabilities	**(75.4)**	(72.2)
Defined benefit pension scheme deficit	**(133.2)**	(198.8)
Net liabilities	**43.1**	(37.9)

All restricted funds arise in Genome Research Limited.

(ii) Non-charitable investment holding subsidiary undertakings

	Gower Place Investments Limited		North London Ventures Limited		Wellcome Trust Investments 2 Unlimited	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Turnover	**14.0**	-	**-**	-	**9.4**	9.7
Expenditure	**(12.3)**	3.4	**23.9**	(12.9)	**(27.1)**	(8.7)
Gains/(losses) on investments	**62.9**	(22.5)	**(147.1)**	49.3	**41.1**	(24.6)
Total profit	**64.6**	(19.1)	**(123.2)**	36.4	**23.4**	(23.6)
Investment assets	**1,094.2**	546.9	**313.2**	460.4	**771.2**	819.0
Current assets	**79.1**	1.5	**97.3**	97.8	**352.2**	264.3
Total assets	**1,173.3**	548.4	**410.5**	558.2	**1,123.4**	1,083.3
Liabilities	**(14.0)**	(2.0)	**(17.8)**	(42.1)	**(49.8)**	(33.7)
Net assets	**1,159.3**	546.4	**392.7**	516.1	**1,073.6**	1,049.6

The functional currency of Wellcome Trust Investments 2 Unlimited is the US Dollar because the majority of the Company's transactions are denominated in US Dollars.

(iii) Non-charitable investment financing subsidiary undertaking

	Wellcome Trust Finance plc	
	2021 £m	2020 £m
Turnover	**38.1**	42.8
Expenditure	**(38.1)**	(42.8)
Total profit	**-**	-
Assets	**686.3**	965.2
Liabilities	**(548.8)**	(827.7)
Net assets	**137.5**	137.5

22. Consolidated cash flow

(a) Investment income received

	2021 £m	2020 £m
Dividends and interest	**248.8**	287.9
Rental income	**37.6**	35.4
Decrease in income receivable from investments	**(2.4)**	(9.9)
(Decrease)/increase in accrued income from investments	**(2.0)**	5.5
Decrease in deferred income from investments	**2.6**	-
Investment income received	**284.6**	318.9

(b) Servicing of finance

	2021 £m	2020 £m
Interest payable	**(76.5)**	(79.0)
Foreign exchange gain/(losses) on revaluation of interest bearing liabilities	**18.9**	(8.8)
(Decrease)/Increase in interest bearing liabilities	**(19.8)**	10.6
Cash (outflow)/inflow for servicing of finance	**(77.4)**	(77.2)

(c) Reconciliation of investment sales and purchases

	2021 £m	2020 £m
Proceeds on sale of quoted investments	**3,897.1**	6,117.6
Proceeds on sale of unquoted investments	**4,631.6**	2,810.9
Proceeds on sale of investment property	**46.9**	18.0
(Increase)/decrease in proceeds receivable on sale of investments	**(7.6)**	58.8
Proceeds on sale of Programme Related Investments	**7.0**	9.0
Proceeds from sales of investments	**8,575.0**	9,014.3
Purchases of quoted investments	**3,914.1**	4,553.9
Purchases of unquoted investments	**3,347.8**	2,431.7
Purchases of investment property	**27.4**	23.6
(Decrease)/increase in amounts payable on acquisition of investments	**(0.5)**	3.7
Purchase of Programme Related Investments	**18.1**	20.9
Purchases of investments	**7,306.9**	7,033.8
Gain on derivative financial instruments	**64.5**	293.1
Decrease in derivative financial asset positions	**40.5**	31.0
(Decrease)/increase in derivative financial liabilities	**(37.4)**	7.1
Net cash inflow/(outflow) upon settlement of derivative financial instruments	**67.6**	331.2

(d) Statement of net debt

	At 1 October 2020 £m	Cash flow £m	Cash and debt acquired	Debt matured	Effective interest & Foreign Exchange £m	At 30 September 2021 £m
Cash in hand and at bank	25.1	19.2		-	-	**44.3**
Debt due after one year						
- bond liabilities	(2,042.1)	-	(746.8)	-	18.6	**(2,770.3)**
Debt due within one year						
- bond liabilities	(305.2)	77.4		275.0	(76.2)	**(29.0)**
Liquid resources:						
- investment cash and certificates of deposit	2,701.4	1,118.9		-	-	**3,820.3**
Net debt	379.2	1,215.5	(746.8)	275.0	(57.6)	**1,065.3**

In accordance with FRS 102 7.18, an entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents.

The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows because these items do not involve cash flows in the current period. These non-cash transactions are included in the table above.

23. Financial risk management

In the ordinary course of its activities, the Group actively manages a variety of financial risks including credit risk, liquidity risk and market risk. The Group identifies measures and monitors risk through various control mechanisms as detailed in the following sections, including maximum approved counterparty exposure and diversifying exposures and activities across a variety of instruments, markets and counterparties.

(a) Credit risk

Credit risk is the risk that the Group would incur a financial loss if a counterparty failed to discharge its obligations to the Group.

Credit risk exposure

The Group is subject to credit risk from its financial assets held by counterparties and the risk is particularly concentrated on its investment cash balances and certificates of deposit due to the significant value of these balances. The following table details the Group's maximum exposure to credit risk as at 30 September:

	2021 £m	2020 £m
Derivative financial instruments assets positions	**30.8**	71.3
Investment cash balances and certificates of deposit	**3,820.3**	2,701.4
Cash collateral held	**128.7**	33.1
Accrued income from investments	**9.2**	7.3
Income Receivable	**37.4**	35.0
Proceeds receivable on sale of investments	**11.3**	3.7
Other investment debtor balances	**9.5**	12.2
Programme related investment loans	**-**	-
Other debtors	**19.3**	18.0
Term deposits and cash	**44.3**	25.1
	4,110.8	2,907.1

None of the Group's financial assets subject to credit risk (other than the Programme related investments which are discussed in note 15(d)) are past their due date or were impaired during the year.

Risk management policies and procedures

The objective of managing credit risk is to minimise counterparty default on the Group's financial assets causing financial loss to the Group. The Group aims to mitigate its counterparty credit risk exposure by monitoring the size of its credit exposure to and the creditworthiness of counterparties, including setting appropriate exposure limits and maturities. Counterparties are selected based on their financial ratings, regulatory environments and specific circumstances.

The following details the risk management policies applied to the financial assets exposed to credit risk:

- for interest-bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Group of default. Investments are made across a variety of issuers to reduce concentrations of credit risk;
- transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk. Derivative financial instrument asset positions exposed to credit risk comprise the Group's forward currency contracts;
- direct cash management mandate is limited to the use of deposits with selected banks (the credit ratings of which are taken into account to minimise credit risk), the purchase of short-dated UK Government securities and the controlled use of AAA rated money market funds; and
- sale and purchases of investments are carried out with a small number of brokers, whose credit quality forms part of the initial and on-going reviews by the investment managers.

At the balance sheet date, in addition to the securities on loan discussed in note 15(a), forward currency contract assets which are secured by cash collateral discussed in note 15(b). There were no other credit enhancements.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties raising cash to meet its obligations when they fall due.

Liquidity risk exposure
This is a risk to the Group, given the value of the Group's commitments to charitable and investment activities.

Risk management policies and procedures
The Group monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. Cash held within the Group's cash mandate (refer to Cash reported in Figure 6 of the Review of Investment Activities section of the Trustee's report) and the liquidity forecast is reviewed: weekly by investments management; monthly by the Executive Leadership Team; and quarterly by the Investment Committee and Board of Governors.

The following table details the maturity of the Group's undiscounted contractual payments and grant liabilities as at 30 September:

	2021				2020			
Group	Three months or less £m	No more than one year £m	More than one year £m	**Total £m**	Three months or less £m	No more than one year £m	More than one year £m	**Total £m**
Payments falling due within one year								
Bond liabilities	-	75.4	-	**75.4**	-	352.5	-	352.5
Derivative financial instruments liabilities	6.0	-	-	**6.0**	43.4	-	-	43.4
Collateral liability	128.7	-	-	**128.7**	33.1	-	-	33.1
Amount payable on acquisition of investments	1.6	-	-	**1.6**	1.1	-	-	1.1
Other investment liabilities	26.3	-	-	**26.3**	36.1	-	-	36.1
Trade creditors	27.5	-	-	**27.5**	8.2	-	-	8.2
Other creditors	58.5	-	-	**58.5**	29.5	-	-	29.5
Accruals and deferred income	52.3	-	-	**52.3**	58.4	-	-	58.4
Corporation Tax	-	0.6	-	**0.6**	-	1.0	-	1.0
Contractual payments	300.9	76.0	-	**376.9**	209.8	353.5	-	563.3
Grant liabilities	205.8	617.4	-	**823.2**	164.4	493.1	-	657.5
	506.7	693.4	-	**1,200.1**	374.2	846.6	-	1,220.8
Payments falling due between one and five years								
Bond liabilities	-	-	301.7	**301.7**	-	-	257.6	257.6
Other creditors	-	-	2.8	**2.8**	-	-	2.6	2.6
Contractual payments	-	-	304.5	**304.5**	-	-	260.2	260.2
Grant liabilities	-	-	1,769.3	**1,769.3**	-	-	1,667.8	1,667.8
	-	-	2,073.8	**2,073.8**	-	-	1,928.0	1,928.0
Payments falling due after five years								
Bond liabilities	-	-	5,823.0	**5,823.0**	-	-	4,650.4	4,650.4
Contractual payments	-	-	5,823.0	**5,823.0**	-	-	4,650.4	4,650.4
Grant liabilities	-	-	256.6	**256.6**	-	-	271.0	271.0
	-	-	6,079.6	**6,079.6**	-	-	4,921.4	4,921.4
Total	506.7	693.4	8,153.4	**9,353.5**	374.2	846.6	6,849.4	8,070.2

Grant liabilities are non-contractual.

(c) Market risk – price, currency and interest rate risks

Market risk is the risk of potential loss the Group may incur as a result of adverse changes to the fair value of the Group's financial instruments. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group measures returns and monitors portfolio risks in a 50/50 blend of Sterling and US Dollars and monitored Sterling and US Dollar currency exposures. This reflects the globally diversified nature of the Group's assets, liabilities and commitments.

The Group uses a number of investment risk metrics, of which the following are key; the expected ability of the portfolio to generate cash flows growing in real terms; currency exposures; expected likelihood of catastrophic failures of one or more assets held within the portfolio; and the assessed level of inflation protection within the portfolio.

(i) Price risk

Price risk is the risk that the value of an asset or liability will fluctuate due to changes in market price, caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. This is a risk for the Group because its ability to fund research over the long term is dependent on maintaining the purchasing power of the asset base. The Group's expenditure is predominantly discretionary and the Board of Governors monitor cash expenditure, commitments and the endowment performance throughout the year to manage the balance between funding charitable activities and maintaining the purchasing power of the asset base.

Price risk exposure

The maximum asset and liability value exposed to other price risk at 30 September is the value of the traded investment assets and liabilities as detailed in the following table:

	2021 £m	2020 £m
Quoted investments	**17,292.0**	14,762.7
Unquoted investments	**18,814.3**	13,766.8
Investments properties	**1,566.1**	1,292.1
Derivative financial instruments assets positions	**30.8**	71.3
Assets exposed to risk	**37,703.2**	29,892.9
Derivative financial instruments liability positions	**6.0**	43.4
Liabilities exposed to risk	**6.0**	43.4

(ii) Currency risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes to foreign currency exchange rates. The currency of the majority of the Group's expenditure and the functional currency of the Group is Sterling. However, the Group has investment assets denominated in currencies other than Sterling and is impacted by fluctuations in foreign currency exchange rates.

The following table details the asset value exposed to currency risk as at 30 September:

Group	**Value as at 30 September 2021 (currency, m)**	**Value as at 30 September 2021 £m**	Value as at 30 September 2020 (currency, m)	Value as at 30 September 2020 £m
Traded investments assets				
US $	**$30,906.0**	**22,921.3**	$20,781.3	16,074.7
Euro	**€3,520.0**	**3,025.6**	€3,156.8	2,863.4
CNY	**¥24,096.6**	**2,738.1**	¥26,673.3	3,029.4
Other		**4,324.9**		3,391.3
Other investment debtors balances				
US $	**$1,848.3**	**1,370.8**	$501.9	388.2
Euro	**€38.3**	**32.9**	€28.3	25.7
CNY	**¥0.2**	**-**	-	-
Other		**27.3**		27.1
Other investment creditors balances				
US $	**($0.1)**	**(0.1)**	($0.1)	(0.1)
Euro	**(€400.3)**	**(344.0)**	(€399.4)	(362.3)
CNY	**-**	**-**	-	-
Other		**(8.4)**		(1.6)
Forward currency contracts				
US $	**$100.0**	**74.2**	($300.0)	(231.2)
Euro	**(€727.2)**	**(650.2)**	(€914.2)	(850.6)
CNY	**-**	**-**	-	-
Other		**(75.6)**		0.3
Total exposed to currency risk		**33,436.8**		24,354.3

	Impact on gain for the financial year 2021 £m	Impact on gain for the financial year 2020 £m
10% US Dollar appreciation	**2,436.6**	1,623.2
10% Euro appreciation	**206.4**	167.6
10% CNY appreciation	**273.8**	302.9

A 10% depreciation in currencies would have an equal but opposite impact.

Risk management policies and procedures

The investment team monitor the Group's exposure to foreign currencies on a daily basis and report to the Investment Committee on at least a quarterly basis.

Foreign currency contracts are used to limit the Group's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are also used to achieve the portfolio characteristics that assist the Group in meeting its investment objectives.

(iii) Interest rate risk

Interest rate risk arises from the risk that the value of an asset or liability will fluctuate due to changes in interest rates (i.e. for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (i.e. for variable rate assets or liabilities).

Interest rate exposure and sensitivity

The Group holds investment cash and certificates of deposit and overnight term deposits and cash, as detailed on the Balance Sheet. These are floating rate interest bearing assets, the future cash flows from these assets will fluctuate with changes in market interest rates. However, as these are liquid assets with no fixed maturity dates, the fair value would not fluctuate significantly with changes in market interest rates.

During the year, the Group realised its investments in government and corporate debt securities which had been held as part of planning for the maturity of the 2021 bonds (refer note 15(a)).

The interest-bearing liabilities shown below are the bond liabilities which are fixed rate liabilities which are held at amortised cost. The bond assets value detailed in the table below is the fair value, the bond and variable rate liabilities value detailed in the table below is the book value.

	2021		2020	
	Weighted average interest rate	**Value as at 30 September £m**	Weighted average interest rate	Value as at 30 September £m
Interest bearing assets:				
Maturing within one year				
Fixed rate	**n/a**	**-**	1.61%	141.3
Floating rate	**n/a**	**-**	3 month GBP Libor + 22-26bps	130.0
Maturing between one and five years				
Fixed rate	**n/a**	**-**	n/a	-
Floating rate	**n/a**	**-**	n/a	-
Total interest bearing assets		**-**		271.3
Interest-bearing financial liabilities:				
Maturing within one year				
Fixed rate – bond liabilities	**n/a**	**-**	4.75%	(279.2)
Maturing between one and five years				
Fixed rate – bond liabilities	**n/a**	**-**	n/a	-
Maturing after five years				
Fixed rate – bond liabilities	**2.70%**	**(2,799.3)**	3.13%	(2,068.1)
Total interest-bearing liabilities		**(2,799.3)**		(2,347.3)

Risk management policies and procedures

The Group takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The Investment Committee monitors the Group's exposure to interest-bearing assets, the bond liability and the related finance costs regularly.

24. Events after the end of the reporting period

There are no events to note.

Reference and Administrative Details

Board of Governors

Eliza Manningham-Buller (Chair until 11 April 2021)

Julia Gillard (Chair from 12 April 2021
and Chair-Elect from 13 August 2020 to 11 April 2021)

Michael Ferguson (Deputy Chair)

Tobias Bonhoeffer (until 31 August 2021)

Amelia Fawcett

Richard Gillingwater

Bryan Grenfell (until 31 August 2021)

Fiona Powrie

Cilla Snowball

Elhadj As Sy

Gabriel Leung (from 1 May 2021)

Arup Chakraborty (from 1 May 2021)

Ijeoma Uchegbu (from 15 November 2021)

General Counsel and Company Secretary

Chris Bird

Audit and Risk Committee

Amelia Fawcett (Chair)

Adèle Anderson

Chris Jones

Fiona Powrie

Remuneration Committee

Amelia Fawcett (Chair)

Eliza Manningham-Buller (until 11 April 2021)

Michael Ferguson

Julia Gillard (from 12 April 2021)

Richard Gillingwater

Nominations and Governance Committee

Julia Gillard (Chair from 12 April 2021)

Eliza Manningham-Buller (Chair until 11 April 2021)

Michael Ferguson

Bryan Grenfell (until 31 August 2021)

Cilla Snowball

Elhadj As Sy

Investment Committee

Richard Gillingwater (Chair)

Tracy Blackwell

Stefan Dunatov

Michael Ferguson

Julia Gillard (from 12 April 2021)

Martin Halusa

Cressida Hogg

Eliza Manningham-Buller (until 11 April 2021)

Girish Reddy

Nick Moakes

Peter Pereira Gray

Biographies of the Governors

The biographies of the current Board of Governors are shown on our website: https://wellcome.org/who-we-are/governance/board-governors.

The biographies below are of governors who have since retired from Wellcome.

Baroness Manningham-Buller
Eliza Manningham-Buller served as Chair of Wellcome from 2015 to 2021, having served as a Governor since 2008. In 2015, Eliza became the Co-President of Chatham House, Royal Institute of International Affairs. She served on the Council of Imperial College from 2009 and was Chair of Council from 2011 to 2015. She is a Fellow of the Academy of Medical Sciences. She was appointed an independent, crossbench peer in the House of Lords in 2008, and has been a member of the Privileges and Conduct Committee, the Joint Committee on the National Security Strategy, and currently sits on the Science and Technology Committee. Previously, Eliza had a career with MI5 for more than 30 years, including a posting to the British Embassy in Washington. She served as Director General from 2002 to 2007 and before that was Deputy Director General, with responsibility for operations. Eliza was educated at Benenden School and Lady Margaret Hall, Oxford. She taught for three years before joining MI5 in 1974.

Professor Tobias Bonhoeffer
Tobias Bonhoeffer is Director at the Max Planck Institute of Neurobiology and Professor at the Ludwig Maximilians University in Munich. He is one of the world's foremost researchers in systems neuroscience. He studies synaptic plasticity in the brain focusing on learning, memory and how the brain adapts to its environment. Tobias served for more than 20 years as department head at the Max Planck Institute of Neurobiology and later also as Chair of the Biomedical Section of the Max Planck Society. He has been a member of the scientific advisory boards of numerous leading Institutions, including the Chan Zuckerberg Initiative, the ETH Zurich, the Janelia Farm Research Campus of the Howard Hughes Medical Institute and the Chinese Academy of Sciences. Tobias is a member of the German National Academy of Sciences, Leopoldina, the Academia Europaea, the European Molecular Biology Organization, and the US National Academy of Sciences. He has been awarded the Ernst-Jung Prize for Medicine.

Professor Bryan Grenfell
Bryan Grenfell is the Kathryn Briger and Sarah Fenton Professor of Ecology, Evolution and Public Affairs at Princeton University. He is jointly appointed at the Department of Ecology and Evolutionary Biology and the School of Public and International Affairs. With over 30 years' experience researching the population dynamics of infectious diseases, his research focuses on the epidemiology, evolution and vaccination control of infections such as measles and influenza. He has advised the UK Government and the World Health Organization on the mathematical modelling and control of a variety of infectious diseases. He is a Fellow of the Royal Society, the American Academy of Arts and Sciences, and the American Association for the Advancement of Science. He has also been awarded the T H Huxley Medal from Imperial College and the Scientific Medal of the Zoological Society of London.

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Wellcome supports science to solve the urgent health challenges facing everyone. We support discovery research into life, health and wellbeing, and we're taking on three worldwide health challenges: mental health, global heating and infectious diseases.

Further copies of this *Annual Report and Financial Statements 2021* are available from the Trust's website or upon request though emailing contact@wellcome.org

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