Annual Report and Financial Statements 2022

Image: Ollie Olanipekun and Nadeem Perera, founders of Flock Together, a support club and community combatting the underrepresentation of black, brown and people of colour in nature through bird watching.

Image credit: Rebekah Williams/ Wellcome Photography Prize

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Report from Chair

Welcome to the Annual Report and Financial Statements for my first full year as Chair of the Wellcome Trust. It has been another year of transition for the organisation, but a key moment for me was at the Board of Governors meeting in June 2022 when the pieces of our new strategy seemed to click into place and the tone and energy of the discussion lifted. Wellcome is now well set to deliver our mission over the next decade, supporting science to solve the urgent health challenges facing everyone.

During that same meeting, Governors joined Wellcome staff in an event to celebrate achievements, align with our mission and discuss moving forward as one united Wellcome team. It brought home just how much work goes into delivering our strategy, and how much we had all missed being in the same building. It was a far cry from October 2021, when our first attempt to bring everyone back into the building after prolonged public health lockdowns was cut short by a resurgence of Covid-19.

This year, the Board has been able to return to largely face-to-face meetings. It has been a delight to see colleagues in person and to discuss directly our determination that Wellcome's governance should be the best it can be. An internal review of governance in 2021 and an external review in 2022 identified the composition, participation and leadership of the Board as real strengths. I'm proud to say we are not resting on our laurels but are following up on the reviews' recommendations to develop the Board's role as Wellcome's global reach and profile develop in a rapidly changing world, and to focus our energies on the factors that drive the strategy and success. See page 56 for more detail.

As we begin 2023, Wellcome is demonstrably making progress. Our new Discovery Research funding schemes are established as the heartbeat of our support for curiosity-driven science, across a broader range of disciplines and with more money behind it than ever before. We've also seen exciting funding calls and initiatives in our health challenge programmes, and we are developing plans for advocacy campaigns that complement our funding by pushing for actions that will have a positive impact on research and, most importantly, on people's health.

This means we enter the new year confident that through our funding and campaigning we will make even more of an impact. We are also well positioned with the resources we need to deliver our mission.

Our investments

Despite challenging market and economic conditions, our investment portfolio returned 1.7% in the year to 30 September 2022 (2021: 34.5%), or -5.9% after inflation. Combined with £1,366 million of charitable expenditure (2021: £1,233 million), this led to a £1,660 million decrease in total funds (the value of our investment portfolio less all liabilities) to £34,601 million (2021: £36,261 million). Our annualised returns over the past ten years have been 14.1%, a cumulative 275% increase that has enabled us to double our annual charitable spend in that time.

After more than a decade of monetary accommodation and historically low interest rates, there has been a sea change in the economic and financial climate. The economic legacy of Covid-19 has been high inflation as recovering demand coincided with disrupted supply chains, exacerbated by rapid increases in commodity prices after the Russian invasion of Ukraine.

Central banks have pushed up interest rates and withdrawn or reversed quantitative easing to combat inflation. Most asset prices have fallen sharply in response. There have been bright spots in our investment portfolio, especially in our property assets, but inevitably we have been affected by the simultaneous decline in prices of government bonds, equities and corporate credit, the scale of which has not been seen for many years.

The market environment is unlikely to get easier soon. Falling asset prices may, however, present opportunities to acquire promising long-term investments at good value, and we do expect that inflation will come down in time. As such, the Board and I remain confident that despite financial market headwinds Wellcome will be able to meet our planned spend of £16 billion on charitable activities over the next ten years. While higher inflation will mean that our money can’t fund as much work as it otherwise would have done, I am excited at the prospect of what we will achieve.

Looking ahead

Wellcome was rightly criticised this year for lack of progress on our anti-racism commitments. Equity, diversity and inclusion are vital to Wellcome’s ability to deliver our strategy, so these issues are firmly on the Board’s agenda as we look to support the organisation to embed anti-racism and root out inequities. I’m delighted that a new role is being added to the Executive Leadership Team to lead on equity, diversity and inclusion. The role will help hold the organisation to account for the commitments in our diversity and inclusion strategy and in an anti-racism action plan published internally in October 2022.

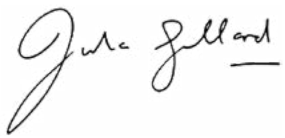
After nearly ten years as Wellcome’s Director, Jeremy Farrar will step down in February 2023. The Board and all of Wellcome look forward to celebrating his immense contribution to our work and to global public health.

Paul Schreier, our Chief Operating Officer, will become interim Chief Executive Officer (CEO) while the Board and I complete the process of recruiting Jeremy’s permanent successor. Paul will bring great experience to the role as a former CEO of business consultancy Hakluyt & Company, and shares the Board’s strong commitment to our strategy.

Changing the job title from Director to CEO reflects Wellcome’s more global role and the intention to keep sharpening focus on health impact and public benefit from our mission. For Paul and our next CEO, a priority in the role will be providing continuity with the strategy we’ve established and building on the many successes Jeremy has delivered.

The new year will also bring the implementation of a new strategy at Wellcome Collection. In November 2022, we closed the Medicine Man exhibition, which had been open for 15 years and focused on the collector, not the people who had made and used the objects collected. We look forward to a deeper story being told through our other current and future exhibitions, to inspire and deepen understanding of the health of all humanity.

2023 will bring challenges and opportunities. At Wellcome we are looking ahead with enthusiasm and a preparedness to keep getting better. We will not – and never should – stop looking to improve the way we do things. That includes the Board and management working together to strengthen internal processes. Equally, it is important to acknowledge that a period of substantial evolution of strategy and structure is over. The focus of everyone working for and with Wellcome will now be on delivering the strategy we’ve set, pushing the boundaries of scientific knowledge and helping to solve the urgent health challenges of our time.



Julia Gillard
Chair, Wellcome

Wellcome in numbers

£1,366mn

Charitable expenditure, including research grants (2021: £1,233mn)

1.7%

Annual return from Wellcome’s investment portfolio (2021: 34.5%)

£34,601mn

Total funds at 30 September 2022 (2021: £36,261mn)

Report from Director

Wellcome is unique. We are independent, with no living founder, no shareholders, no political allegiances. Our investment portfolio has grown from £15 billion when I started in October 2013, to £38 billion today, on top of the £9 billion we've given out in the last nine years as well. The world is in the midst of a more challenging period in the economic cycle, but Wellcome has planned to spend £16 billion over the next ten years – almost doubling our support for science to solve health challenges.

This independence makes it our responsibility at Wellcome to seek opportunities that others may be less able to take. Looking at boundaries and interfaces, making things happen that wouldn't otherwise happen, and being bold enough to ask, *"What if…?"*

Our strategy does this in different ways to address the great challenges of the 21st century. Discovery Research is curiosity-driven, enabling scientists to ask the research questions they want to ask, not the ones they think will convince a review panel. This year, through new funding schemes and other mechanisms, we have continued to support an incredible and increasingly diverse array of people, teams, environments and ideas, from neuroscience and developmental biology to biomedical engineering, humanities and social sciences.

This is what Wellcome can do with our independence. We don't need to see a definitive return on this research next year, or in ten years, or in the decades to come. Science, in our view, is a fundamental human endeavour, integral to our culture and who we are – being curious about the world, wanting to understand it better, and to share the insights and tools it generates with wider society. We believe that it will all eventually, in some way, contribute to a healthier society, and that's enough for us.

Clearly, there are also opportunities for science to have an impact in the shorter term, and areas in which that is urgently needed. That's why we've added specific programmes in Infectious Disease, Mental Health, and Climate and Health, all up and running now and determined to find solutions to specific challenges. These programmes are involving people with lived experience of the challenges from around the world, underpinned by data and evidence, and facilitated by support for inclusive and equitable research environments.

Through these more solutions-focused programmes, we are supporting greater scientific understandings of these challenges, removing barriers to progress, working in partnerships, and supporting new and improved interventions of all kinds – medical, societal, policy and implementation, and more – so that communities around the world will be better able to act as early as possible to allow everyone's health to flourish.

Reflections

Entering my final few weeks at Wellcome, I've been reflecting on two priorities in particular. The first is equity, diversity and inclusion. Wellcome is on a path to becoming an anti-racist, anti-ableist organisation. This path is not without challenges and mistakes, but I have been determined to learn and do all we can to put equity, diversity and inclusion at the heart of what Wellcome does, how we do it, and why we do it.

A great example is the new Pandemic Fund established at the World Bank this year. As one of the four founding donors to the fund (along with the European Commission and the governments of USA and Germany), which will support pandemic prevention, preparedness and response, Wellcome successfully advocated for countries with greater need and civil society organisations to have central roles in its governance and decision-making processes (see page 19).

Another example is in Wellcome Collection's new vision of a world in which everyone's experience of health matters. Wellcome Collection is our free museum and library in the centre of London, and I am constantly challenged and inspired by the work we do there, not least this year's incredibly powerful In the Air exhibition (see page 26). It's another aspect of what makes Wellcome unique and a privilege to be part of, and an essential component in achieving better health for everyone through our support for science.

My second priority has been making sure everyone who works at Wellcome knows what and how they are contributing to our mission. Because we do so much to support science in many different ways, complementing and augmenting the funding we give to thousands of researchers all over the world. Our support for science includes the work of Wellcome Collection, our office in Berlin, our advocacy for equitable solutions, and the involvement of the most affected communities in our strategies and activities. We're still making progress in the ways we do all of this in practice, and there's so much more we can do, but this is what the strategy we've been developing and implementing over the past few years really means.

It means becoming more global in mindset. It means continuing to shift the centre of gravity of research funding from London to the India Alliance based in Hyderabad and to Science for Africa hosted in Nairobi and with our Asia and Africa Programmes. It means Wellcome working with the World Health Organization at COP27 this year – at every COP, every year – leading efforts to put health at the heart of climate action. It means believing in the possibility of a world where no one is held back by mental health problems, backing discovery research as well as translational research, and involving people with lived experience in co-developing our approach. It means building on research that Wellcome has supported for decades and making sure we see new vaccines and better treatments equitably accessible for infectious diseases, old and new, coming through as a result.

And it means realising the potential of science to save lives and make the world a healthier place. Not on its own – science needs many kinds of support to do that, including different types of funding but also shifting policy, advocacy and challenge, always, as well as the trust of the public that must be earned and sustained for science to have meaningful impact for the greatest number of people.

That's why Wellcome's strategy has been built around supporting science to solve the urgent health challenges facing everyone. And I can't wait to see – this year and for many years to come – the impact Wellcome will make. It has been my extraordinary privilege to lead Wellcome over the past nine years, the future will be even brighter.

Jeremy Farrar
Director, Wellcome

Trustee's Report

ADHD Portraits
Nora Nord

Rosie and the pile that contains her art studio and belongings. "I wouldn't be doing art without ADHD. I've learnt that my combined learning disabilities are what make me creative, and also very cheerful. The only reason ADHD is debilitating (apart from rejection sensitivity dysphoria, etc) is because the world isn't built for us."

Image credit: Nora Nord / Wellcome Photography Prize 2021

What we do

Science is essential to solving the world's health challenges. That's why Wellcome will always support bold research across a wide range of disciplines to discover more about life, health and wellbeing and open up unimagined possibilities for the future.

But three global challenges threaten to undermine our efforts to improve health for decades to come. The effects of infectious diseases, mental health problems and climate change limit life for people of all ages in all parts of the world, and can devastate communities for generations. Alongside our support for discovery research, Wellcome is taking on these urgent health challenges with commitments and actions sustained over many years.

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

Our perspective on health and how to improve it spans science, innovation and society. We connect people across research and society to discover new knowledge and inspire new ideas. We campaign 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 today or in years to come.

Wellcome is an independent global charitable foundation. Our work is funded from an investment portfolio that includes a wide range of financial assets around the world. We are accountable to society for delivering our mission, while using our independence for public benefit.

We achieve our mission through four strategic Programmes – one driven by scientific curiosity and three that focus on solutions – and other activities that deliver in different ways. These include Wellcome Leap and cross-mission activities such as Wellcome Collection and our equity, diversity and inclusion work. 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.

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

Curiosity-driven

- **Discovery Research:** Transform understanding of life, health and wellbeing through curiosity-driven research across a diverse range of perspectives and contexts.

Solutions-focused

- **Infectious Disease:** Reduce the risks and impacts of infectious diseases by targeting the factors that lead to escalation.
- **Mental Health:** Drive a step-change in the ability to intervene as early as possible in anxiety, depression and psychosis, working towards a world in which no one is held back by mental health problems.
- **Climate and Health:** Put health at the heart of climate change action, to help avert catastrophic climate breakdown in a way that allows human health to flourish.

Other activities

- **Wellcome Leap:** Deliver breakthroughs in human health over five to ten years, demonstrating seemingly impossible results on seemingly impossible timelines.
- **Cross-mission activity:** Support the roles of science in solving health challenges through more than one Programme or across the mission as a whole.

Year at a glance

£1,366mn

Wellcome's charitable spend, supporting science to solve the urgent health challenges facing everyone.

2021: £1,233mn

25%

Proportion of Wellcome employees who identify as being from an ethnic minority background.

2021: 19%

$1.4bn

Pledged by government and philanthropy donors to the new Pandemic Fund, pooling international funding to address gaps in pandemic prevention, preparedness and response.

See page 19.

£49mn

A further five years' funding for the Oxford University Clinical Research Unit in Vietnam, supporting clinical research and local impacts on health.

See page 15.

£363mn

Awarded to support curiosity-driven Discovery Research, answering fundamental questions about life, health and wellbeing.

See page 14.

£33mn

Funding for projects to capture quantitative data on the effects of climate change on health.

See page 23.

Students visit laboratories at Oxford University Clinical Research Unit Vietnam (OUCRU), as part of OUCRU's School Engagement Programme.

1.7%

Annual return from Wellcome's investment portfolio, which funds everything we do.

2021: 34.5%

£62mn

Additional funding for Wellcome Leap, delivering breakthroughs in human health.

See page 24.

Jim Naughten: Objects in Stereo. 2022. Wellcome Collection.

260,000

Visitors to Wellcome Collection this year. 78% felt their visit made them think more deeply about science or health.

See page 25.

Berlin, Germany

Location of a new subsidiary, an EU hub to support our contributions to global health policy.

See page 12.

50 years

Time since the last pharmacological approach to schizophrenia using a new biological pathway was introduced. This year, a new drug whose earlier development was supported by Wellcome was successful in phase 3 clinical trials.

See page 21.

Review of Charitable Activities

Wellcome's charitable spend in 2021/22:

Discovery Research

£825mn

Transform understanding of life, health and wellbeing through curiosity-driven research across a diverse range of perspectives and contexts.

Infectious Disease

£295mn

Reduce the risks and impacts of infectious diseases by targeting the factors that lead to escalation.

Mental Health

£41mn

Drive a step-change in the ability to intervene as early as possible in anxiety, depression and psychosis.

Climate and Health

£50mn

Put health at the heart of climate change action.

Wellcome Leap

£62mn

Deliver breakthroughs in human health over 5 to 10 years and demonstrate seemingly impossible results on seemingly impossible timelines.

Cross-mission activity

£93mn

Support the role of science in solving health challenges across the mission as a whole.

Summary

This year, we redoubled our activities to engage with the research community and other stakeholders, conveying how Wellcome's strategy has evolved to bring more focus to our activities while enabling researchers to be more ambitious in pursuing their goals.

We launched new funding schemes to support Discovery Research (page 14), and made a number of targeted funding calls in our programmes in Infectious Disease (page 17), Mental Health (page 20), and Climate and Health (page 22). We renewed funding commitments to some of our largest scientific investments, such as the Francis Crick Institute in the UK (page 15), the Oxford University Clinical Research Unit in Vietnam (page 15), and the Coalition for Epidemic Preparedness Innovations (page 18). We made a second substantial financial commitment to Wellcome Leap, which delivers our mission in a different way (page 24).

Overall, we've more tightly defined our goals, setting out the many ways in which Wellcome supports science to solve the urgent health challenges facing everyone.

In the prior year, spend was in line with our previous strategy, comprising: Science £862mn, Innovations £126mn, Culture & Society £102mn and Priority areas £143mn.

Overview

Most of Wellcome's funding – grants and awards made in recent years, as well as new funding this year – supports people and places to do research. This ranges from individual grants for early-career researchers and Discovery Awards for more established researchers to run and develop their labs, through to core funding for the Wellcome Sanger Institute (see page 13).

This is in line with how we've pursued our mission since 1936. We recognise the expertise of the research community to know where the most exciting scientific opportunities are, and which are the most innovative approaches. Through engaging with those who are seeking funding, as well as our expert reviewers, advisory committees and staff, we support researchers driven by curiosity, knowing that many of the insights and tools they generate may deliver health benefits in the future. Our support for curiosity-driven research continues to grow, with more money available across a broader range of research fields than ever before.

In more recent years, Wellcome has had the resource to add more proactive approaches to our mission, using funding but also influence and convening power in order to have a more targeted impact in science or health. Increasingly, we forge connections between research and other communities, including policy makers, the cultural sector, and those most affected by health challenges – often those most likely to have been left out of conversations about health and research in the past. This way we can focus our efforts on removing specific barriers to progress and making the most of new opportunities.

Wellcome has also become more global, not just in the countries where researchers we fund are based, but also through our policy and advocacy work. For example, we opened an office in Germany in 2018 to support Wellcome's international influence, and the team there has been instrumental in activities such as working with the German government during its presidency of the G7 forum in 2022. After a three-year pilot, the office will now become a subsidiary (see page 68).

This year Wellcome entered the final stages of our transition to a more focused and aligned strategy. The process had started in 2019, before the Covid-19 pandemic. When it hit, the pandemic confirmed our belief in the potential of science – with the right support – to solve urgent health challenges, but it also affected the organisation's capacity for change.

Throughout the pandemic, the lockdowns, strategic realignment and restructure, Wellcome continued to fund exciting research across a broad range of topics, disciplines and locations. But our work has been reinvigorated this year by the clearly defined focus on discovery research and on three specific challenges where Wellcome's support for science can make a big difference in the coming decade.

Crucially, these four programmes and our cross-mission activities work together, creating a single integrated portfolio of research and other activities to deliver our mission. For example, a considerable amount of neuroscience and psychological research is funded through Discovery Research, contributing to our Mental Health vision of a world in which no one is held back by mental health problems. A funding call for research into climate-sensitive infectious diseases this year will contribute to goals in both Infectious Disease and Climate and Health (see page 66). Our work to improve diversity and inclusion in research, and Wellcome Collection's work to ensure everyone's experience of health matters, will help us achieve greater equity in the impacts we have.

Making our first round of Discovery Awards in the summer of 2022 was a significant milestone. And we worked hard in the first half of the year to detail the goals and remit of each of our three solutions-focused programmes – these allow Wellcome to combine all of our resources to support new approaches in research and improve the health of people most affected by the urgent health challenges of today.

Outlook

With strategic and organisational changes completed, Wellcome is delivering its mission to support science to solve the urgent health challenges facing everyone. We can focus on looking for the best opportunities to achieve positive impacts on people's health through the research we support in many different ways.

Our plan to spend £16 billion on our mission between 2022 and 2032 means we can be ambitious, knowing that commitments we make today will be followed through to impact – even if some of the research we will fund may take longer to result in improved health. Wellcome's independence allows us to balance short- and long-term perspectives to make the most of science's potential to improve lives and change the world, today and into the future.

Wellcome Sanger Institute

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. Our normal five-yearly review of the institute and campus having been delayed by the Covid-19 pandemic, we had awarded a two-year funding extension to bridge the gap. In November 2021, Wellcome's Board approved core funding until 2026.

The Wellcome Genome Campus is a world-leading centre for genomic science, and aims to build on these credentials to become an international hub for scientific, business, cultural and educational activities emanating from genomes and biodata. Scientists at the Wellcome Sanger Institute have sequenced nearly 250,000 whole human genomes as part of a project at UK Biobank, a Wellcome-funded project combining genetic and health information from half a million participants. And in July 2022, the institute launched a Genomic Surveillance Unit to develop, run and maintain open products that will help its partners, particularly in low- and middle-income countries, to monitor and control infectious diseases with potential to harm health both locally and globally.

Dr Gosia Trynka, leader of the Immune Genomics research group at the Wellcome Sanger Institute. Her group studies how human genetic variation affects individual cells in the immune system and predisposes a person to developing an autoimmune disease.

Image credit: © Wellcome

Discovery Research

This year included the first awards from our Discovery Research funding schemes, which support big, bold research across a wide range of fields, topics and locations.

Transform understanding of life, health and wellbeing

Discovery Research is all about creating knowledge that can transform our understanding of life, health and wellbeing, which is why Wellcome wants to focus on enabling researchers to make truly ground-breaking discoveries by following their curiosity, asking big questions and taking creative approaches. Their work does not have to relate to our three health challenge programmes.

In summer 2022, we announced the first recipients of our new Discovery Awards, Career Development Awards and Early-Career Awards, representing a total of £231 million. Those first grantees included clinicians and researchers based across 23 different institutions in the UK, the Republic of Ireland, South Africa, Kenya, Uganda and Brazil, demonstrating something of the range of people and ideas we want to support. See the examples on pages 15-16 for a flavour of the work we funded. These schemes continue on a rolling cycle, with three rounds of funding each year.

Championing team-based research, bringing different disciplines and perspectives together and supporting new tools and technologies are critical to make progress in improving health. Our new schemes have made a strong start in this regard, with 40 percent of Discovery Awards going to collaborative team research.

Researchers work in a laboratory at the Francis Crick Institute in London.

Discovery also relies on diversity and inclusion within research (see page 25), and strong connections between research and the rest of society. Since the UK left the European Union, Wellcome has advocated for the best possible outcomes for UK and EU research. Agreements that should enable open scientific collaboration across Europe have been delayed by political barriers, however, which is why we have been supporting Stick to Science. This campaign is calling for a fast and amicable resolution to the UK's and Switzerland's relationships with the EU's flagship Horizon Europe funding programme. In June 2022, our Director Jeremy Farrar was a co-signatory on an open letter to the President of the European Commission, calling for her urgent intervention on this issue.

Directed activity

Our support for Discovery Research goes beyond our funding schemes. We can also use directed funding, where we proactively identify and pursue research or other activities into a particular area of interest to meet specific objectives within our strategy. For example, this year we provided funding for the formative phase of the African Population Cohort Consortium, and renewed our support for UK Biobank, which continues to be the premier resource for studies in human health and genomics.

Directed activity into catalytic research environments is vital to our approach to Discovery Research – in July 2022, for example, we announced with our partners at UK Research and Innovation and Cancer Research UK another seven years of funding for the Francis Crick Institute. The Crick's approach aligns well with what we want to support through Discovery Research: it attracts and trains research talent from around the world while promoting collaboration and interdisciplinarity throughout its culture and physical space. Its tools and technology platforms are world-class, and it invests heavily in the people who run them. The institute also focuses support on early-career researchers, providing them with the time and resources to be creative and productive. Agreeing to provide £137 million over seven years reflects Wellcome's move away from five-year funding cycles for our major funding investments in favour of continuing dialogue and commitment to shared goals.

Supporting strong, vibrant research ecosystems in low- and middle-income settings enables Wellcome to fund research relevant to our strategic programmes, especially Discovery Research and Infectious Disease, and have a positive impact in communities most affected by health challenges. By providing robust technical platforms and expertise, these initiatives are well placed to respond to challenges like the Covid-19 pandemic, as well as generating high-quality data to support discovery research and developing treatments and policy.

In March 2022, a committee of scientific and public engagement experts from around the world evaluated a new funding proposal from the Oxford University Clinical Research Unit in Vietnam. Discussions focused on the scientific priorities as well as the overall vision and engagement with early-career researchers. The committee concluded that the unit conducts world-leading clinical research on infectious diseases with local, regional and global impact, and recommended funding the proposal. We were pleased to agree with the recommendation and renewed our funding with £49 million over five years (see 'Clinical research, local impact').

The Discovery Research team looks for opportunities to open up, shape and build new fields of research. Sometimes this is done in conjunction with our other programmes. For example, this year we have been working with colleagues in Mental Health to enrich a birth cohort study we originally funded in 2019. Children Growing Up in Liverpool (C-GULL) collects data from 10,000 first-born children and their parents in one of the UK's most disadvantaged cities. With new funding this year from our Mental Health programme, C-GULL will now also collect, store and genetically sequence samples of gut bacteria and breastmilk from infants and their mothers. Having a dataset this large and granular, followed up over sufficient time, will allow researchers to investigate further the possible links between gut bacteria, the brain and the emergence of mental health problems.

Ultimately, supporting discovery research is the heart of Wellcome's mission to improve health. We are excited by the opportunities to fund curiosity-driven people with ambition and ideas, and we want to enable ambition by also supporting innovative enabling platforms for research.

Clinical research, local impact

The Oxford University Clinical Research Unit was founded in 1991 to improve diagnosis, treatment and prevention of infectious diseases in a low income and low resource setting. Its work now extends across three countries: a scientific and administrative hub in Ho Chi Min City in Vietnam, and regional units in Hanoi in Vietnam, Kathmandu in Nepal, and Jakarta in Indonesia. The unit is led by Guy Thwaites and administered by the Nuffield Department of Medicine, University of Oxford, UK.

The unit initially focused on malaria research but has broadened its scope into dengue, tuberculosis, enteric diseases and other infections. It has world-leading expertise in large-scale clinical trials in low-income settings, particularly in the fields of tuberculosis, major fungal infections and more recently Covid-19. The unit is leveraging this work into influencing national and international policy on bacterial and malarial drug resistance, and on infection surveillance.

Guy Thwaites

Curiosity-driven neuroscience

Left-right asymmetry is a universal feature of animal nervous systems. Little is understood about how such asymmetries arise, however, and what roles they play in how nervous systems work. With a Discovery Award made in summer 2022, a team at University College London led by Stephen Wilson and Isaac Bianco is using a genetic, developmental, psychological and behavioural platform to study the phenomenon in zebrafish and uncover the underlying mechanisms of how and why left-right brain asymmetry arises. Their findings could shift our understanding of the nervous system in people and in other animals. This is an example of how Wellcome supports curiosity-driven research that may answer important questions about the process of life, even though the pathway to health impact is not always immediately clear.

Transforming malaria control

Simon Kingozi at Makerere University in Uganda was awarded an Early-Career Award to evaluate a routine health surveillance system and integrate information with other databases to see if malaria control can be better targeted. The project combines data from the Health Management Information System (HMIS), population estimates, spatial layers of health facility catchments, data from surveys including the Malaria Indicator Survey, environmental covariates, and estimates of missing data from the HMIS, among others, to optimise malaria control. This is vital in Uganda and other countries where resources and budgets for public health systems are relatively low, and if effective the approach could be adapted to target other infectious diseases.

Innovative participatory research

Autistic people have worse physical and mental health outcomes than their neurotypical peers. Yet despite making up 1 to 2 percent of the population, autistic adults have been neglected in health research, including research into reproductive health. To support innovations that might transform understandings of health and its social and political contexts, Aimee Grant was awarded a Career Development Award to lead an ambitious participatory research project that includes establishing Wales's first participatory Autistic Research Community Council to oversee it. The study will use qualitative longitudinal methods to understand Autistic people's reproductive health experiences across the life course. This will transform not just understandings of this group, but also of how to do research equitably with vulnerable populations.

Aimee Grant

Interdisciplinary contexts of health

As shown by the Covid-19 pandemic, global health crises do not have clear endings. This is often in contrast to official narratives that try to define endpoints. Patricia Kingori at the University of Oxford has received a Discovery Award to fund a global and interdisciplinary team exploring people's experiences of what happens "after the end" of health crises – including disasters, diseases, and drugs – and to provide an account of the responsibilities of global health institutions. The team working on the eight-year project includes historians, sociologists, epidemiologists, psychologists, bioethicists, literary and legal scholars, philosophers and policymakers. This is an example of Wellcome's support for interdisciplinary research that could transform understandings of health and its social and political contexts.

Patricia Kingori

Infectious Disease

Our Infectious Disease programme aims to solve specific research and development challenges, and target support where more than research alone is needed to make progress and impact.

Reduce the risk and impact of infectious diseases

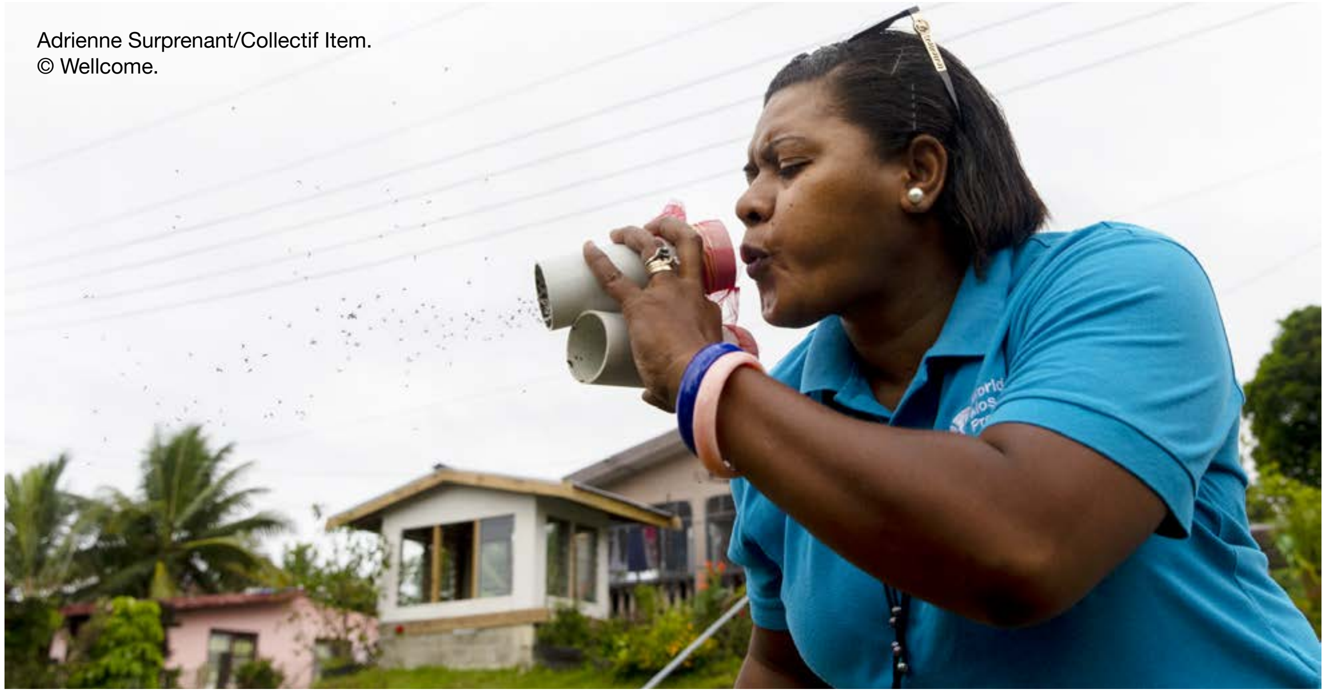
Research into understanding and addressing infectious diseases has always been a major focus of Wellcome's work. Our Discovery Research programme continues to support curiosity-driven research into infectious diseases from many possible perspectives.

Our Infectious Disease programme is about intervening more effectively and earlier, focusing on factors that cause and drive escalation, to reduce the risk and impact of infections on people's health. This means we are continuing our pioneering work of recent years in antimicrobial resistance, vaccines, human infection studies and more, bringing it all together to deliver a range of early, effective interventions.

This year, we defined three specific goals for the programme in relation to the science we fund, shifting from response to prediction and prevention, and translating research into affordable interventions.

Scientific understanding

Our first goal is to understand the mechanisms that underlie the escalation of infectious diseases. For example, a funding call launched this year aimed to increase understanding of the biological significance of SARS-CoV-2 virus variants. We will fund laboratory investigations in immunology, virology or structural biology to produce research relevant and beneficial to low- and middle-income countries in particular. This research should support national policymakers in preventing and controlling the Covid-19 pandemic, and strengthen capability for a research response to future infectious disease outbreaks.



Adi Ravoka takes part in the World Mosquito Programme in the South Pacific.

In January 2022, we published the Global Research on Antimicrobial Resistance (GRAM) report, showing that antimicrobial resistance is now a leading cause of death in the world, bigger than HIV/AIDS or malaria. GRAM is a collaboration led by the Institute for Health Metrics and Evaluation and the University of Oxford, and funded by Wellcome, the Fleming Fund and the Bill & Melinda Gates Foundation. The study presented the most comprehensive estimates of this burden to date, highlighting the scale of the threat, which is highest in low-resource settings. Such information is crucial to improve our understanding of the impact of drug-resistant infections as well as interventions to prevent and control them, and the report fuelled awareness and discussion among the global health community as well as coverage in local and international media.

Prediction and prevention

Our second goal is to generate a paradigm shift from reacting to predicting and preventing. This includes strengthening regulatory systems, shaping research agendas, and supporting innovations in surveillance of infectious diseases.

For example, Wellcome is supporting ACORN (A Clinically Oriented antimicrobial Resistance Network) to develop and test a comprehensive data capture system for surveillance of antimicrobial resistance in support of patient care in Cambodia, Laos and Vietnam. Existing antimicrobial resistance surveillance systems are based on diagnostic microbiology laboratory testing, which limits direct assessment and modelling of the clinically relevant impacts and burden of drug-resistant infections. Data collected by ACORN has already enabled accurate classification of infection syndromes and outcomes, critically important to estimating, for example, how many people die from drug-resistant infections.

In July 2022, we published a review of various initiatives aimed at strengthening capacity in regulatory systems, supporting regional alignment and promoting regulatory reliance. The report identified the persistent challenges across the regulatory lifecycle, focusing on Africa, and provided recommendations for investors to support regulatory systems at national, regional and continental levels.

In May 2022, we committed £10 million to a new fund at the World Bank to address gaps in pandemic prevention, preparedness and response (see ‘Pandemic Fund’ on page 19). As one of the founding donors, along with the European Commission and the US and German governments, Wellcome has been able to ensure equity is embedded in the way the fund has been set up.

Affordable interventions

Our third goal is supporting the generation of affordable products and tools. We do this through funding specific projects such as Oxitec (see ‘Preventing transmission’ on page 19) and supporting large targeted initiatives like the Hilleman Laboratories in Singapore and the Coalition for Epidemic Preparedness Innovations (CEPI).

Wellcome is a founding member of CEPI, together with the governments of Norway, Germany, Japan and India, the Bill & Melinda Gates Foundation (BMGF), and the World Economic Forum. It was established to fill the global gap in developing vaccines against emerging infectious diseases. To date, CEPI has invested in 21 vaccine candidates against Lassa, MERS, Rift Valley Fever, Nipah and Chikungunya; three different platforms to quickly develop vaccines against new viruses; and 14 Covid-19 vaccines.

In January 2022, Wellcome and BMGF announced further funding for CEPI, supporting plans to innovate, develop, and license vaccines over the next five years, focusing on reducing vaccine development timelines to 100 days, developing the next generation of COVID vaccines, and developing a library of vaccine candidates against other infectious disease threats. This was followed in March 2022 by a summit hosted by UK Government, where other funders pledged their support as well.

Pandemic Fund

The Pandemic Fund was established at the World Bank this year, pooling international funding for projects that develop national-level capacity to identify, prevent and manage outbreaks of infectious diseases. By September 2022, when the fund's governing board met for the first time, more than $1.4 billion had been pledged from over 20 partners, including national governments and philanthropic organisations. This is a long way short of the $10 billion a year needed to fully finance prevention, preparedness and response, but we expect more money can be mobilised as the Pandemic Fund demonstrates its value in coming years.

As one of the founding donors, Wellcome has supported equity throughout the design and governance of the fund, as well as in the impact it will have through funding activities mostly at a national level and particularly in low- and middle-income countries. We successfully advocated for giving a strong role to implementing countries and civil society organisations in the fund's decision-making processes. We continue to use our influence to encourage the Pandemic Fund to focus on areas where it can have the biggest impact over the next two to three years, helping to reduce the risk that infectious diseases pose to people's health.

Preventing transmission

Since 2009, Wellcome has supported Oxitec in the development of a technique to control the transmission of viruses by mosquitoes. Approximately 40 percent of the global human population is at risk from diseases such as dengue, Zika, chikungunya and yellow fever, which are transmitted by the Aedes aegypti mosquito. These diseases are escalating and expanding their geographic range, driven by changes in climate and an increasing resistance to insecticides.

Oxitec's approach involves releasing non-biting males which mate with wild females and prevent their offspring surviving. The method has been successfully validated in pilot studies in Brazil and Oxitec is now scaling up the technology for wide-scale, affordable use.

Mental Health

Our Mental Health programme aims to create a step-change in early intervention for anxiety, depression, and psychosis. This year, we established an equity working group, developed new models of portfolio overview that ensure grantees share learning at the earliest possible stage, and supported a wide range of research and other activity.

No one held back by mental health problems

Discovery research plays a central role in achieving Wellcome's vision for mental health. Examples of potentially transformative basic science funded through our Discovery Research programme this year include understanding the development of left-right asymmetry in the brain (see page 16), developing next-generation neuropixels to record deep brain changes, mapping the full connectome in drosophila flies, and molecular tools for the mapping and manipulation of neuronal circuits. Even in areas not as clearly related to mental health, there is great potential for curiosity-driven science to open up new insights and tools.

Our targeted Mental Health programme supercharges the potential primed through Discovery Research, encouraging an improved pipeline of scientific discoveries from the basic to translational. We focus on opportunities to remove barriers and speed progress towards two specific goals.

Tom Merilion/Wellcome Photography Prize 2020.

Nina swims in cold water in the River Spey in Scotland every day to reduce her anxiety and severe depression.

Scientific understanding

Our first goal is to gain a greater scientific understanding of how anxiety, depression and psychosis develop and how they resolve. Key examples this year include a UK longitudinal birth cohort supported through Discovery Research, where the Mental Health programme funded additional data collection to elucidate the impact of early-life microbiome and breast milk on youth anxiety and depression (see page 15).

Our Mental Health Data Prize funded 11 teams to undertake secondary analysis of data in the UK and South Africa. These projects will provide scientific insights into how anxiety and depression develop and resolve and help develop tools for future analysis. They range from examining mental health trajectories following pharmacological and psychological interventions, to the impact of excess rates of stop-and-search on minoritised groups.

In spring 2022, we launched our Mental Health Award on mechanisms underpinning effective treatments. We received over 100 applications, including proposals to consider inflammatory and genetically mediated mechanisms, with decisions made in December. This builds on our wider efforts to move the field from a focus on comparing brands (of, for example, psychological therapies) to a consideration of mechanisms underlying treatment efficacy.

Early interventions

Our second goal is to find new ways to predict, identify and intervene as early as possible in the course of anxiety, depression and psychosis. We are interested in all kinds of interventions, pharmacological and non-pharmacological, accessed through healthcare or other systems or accessed by individuals. And we're committed to finding and addressing barriers to breakthrough. For example, this year we funded work to illuminate and clarify regulatory procedures to best support digital innovation in mental health.

We made nine Mental Health Awards to address cognitive deficits in psychosis. The majority were from outside the UK, and two included co-applicants based in lower- and middle-income countries. Four projects focused on stratification and five on intervention, across sleep, cognition and more.

Also this year, we shut down a depression clinical trial funded by Wellcome because it failed to meet the criteria we had agreed for continuation. This was not an easy decision, and it was not taken lightly. However, just as we are proud when we decide to proceed with new projects, we are equally proud to be bold when the right decision is to stop.

Field-building

To support both our goals, we need to bring researchers together from across the full breadth of mental health sciences, including people with lived experience of mental health conditions. Joining forces in this way will overcome barriers of knowledge and practice, and encourage transdisciplinary approaches capable of transforming how we understand and address mental health problems.

Progress this year included the US National Institute of Mental Health fully implementing the common metrics for anxiety and depression initiative that we've led and agreed with other global mental health research funders. This will allow results across disparate areas of science to be compared for the first time. We have commissioned a three-year project to advance the uptake of these common metrics globally as well as to advise on best ways forward for common metrics for psychosis.

Our team of lived experience advisors and consultants are involved in all funding calls and selection processes. The team has also worked with other funders to help advance shared strategies of embedding lived experience in meaningful ways.

New treatment for schizophrenia

Phase 3 trial results announced this year showed the effectiveness of the first pharmacological approach using a new biological pathway for schizophrenia in 50 years. Wellcome funded this work up to phase 2 and has a programme-related investment in Karuna Therapeutics, the maker of the new drug. With fewer side-effects, the drug may be suitable for people for whom other drugs do not work – it is as good as existing antipsychotics and also good for cognitive and negative symptoms, not generally addressed by existing drugs.

Understanding what doesn't work

A rigorous trial of mindfulness in schools found it was not effective in preventing or ameliorating depression in children aged 9 to 12. Finding that a treatment doesn't work may be as transformative as finding something that does. This is crucial to ensure policymakers and others do not fund ineffective treatments.

Climate and Health

This year saw the rapid development and initiation of Wellcome's programme to fill an urgent gap in the pipeline of climate and health research. Our aim is to inform the best decisions for the future of human health in the face of this unprecedented global challenge.

Put health at the heart of climate change action

Despite global agreement around the Paris Climate Accords, greenhouse gas emissions have continued to rise at a rate that will make it impossible to restrict global heating to the commitment of 1.5 degrees centigrade. Unchecked, this global heating will undermine all efforts to improve health around the world. That's why Wellcome established our Climate and Health programme to put health at the heart of climate change action, and welcomed Alan Dangour as our first Director of Climate and Health in January 2022.

The urgency of climate change and its impacts on human health mean we cannot only wait for curiosity-driven research to find solutions. By focusing on resolving specific challenges, Wellcome can more directly support the growing field of climate and health research and advocacy, and generate solutions as quickly as possible in local, regional, national and global contexts. This will help the world work together to avert catastrophic climate change in a way that allows everyone's health to flourish.

Evidence for impact

The first goal in our Climate and Health programme focuses on much greater visibility and use of evidence on the effects on health of climate change. Greater availability, access and use of data on the potentially catastrophic impacts of climate change on health will increase public understanding and policy action.

This year, we funded more than 20 projects developing open-source digital tools for research into infectious diseases that will be affected by climate change. The design of this funding call was informed by an initial landscaping report that brought together a number of mid-career researchers from a range of disciplines (see page 66). Other funding calls this year included support for research into biological vulnerability to extreme heat in maternal and child health, generating evidence with the potential to inform effective new interventions.


Georgina Smith, CIAT 2016.

Climate-smart soils: Anne Njeri testing soil health in western Kenya.

A distinct gap in today's climate and health research is the lack of combined climate and health datasets and standards for reporting the effects of climate change on health, which hinders international monitoring, collaboration and research. In March 2022, Wellcome published a report setting out the potential for longitudinal population studies to combine climate and health data. And we have also funded the UK's Office for National Statistics to develop metrics to measure, monitor and track the impact the climate crisis is having on human health, with the long-term aim of supporting robust and transparent official statistics to inform national and local decisions.

Our second goal is to deliver a transformational advance in the understanding of, and demand for, climate change mitigation actions that have benefits for health. Earlier this year we issued a funding call to support collaborations between researchers and policy actors who have a clear opportunity to influence climate mitigation policies with substantial health effects. The focus is on supporting policy makers in G7 countries, these nations having the highest levels of historic greenhouse gas emissions. Awards will be made in early 2023, and should lead to transformative approaches to embedding and valuing the substantial health benefits of mitigation policies.

Our third goal is to substantially enhance understanding of the impacts on health of climate change adaptation actions. We issued a funding call this year that invited applications from teams led by researchers in low- and middle-income countries to evaluate the effects on health of existing behavioural, technological and infrastructural adaptations to heat in real-life settings. Taking research outside laboratory conditions means these projects have the potential to generate the evidence that is needed directly to inform policy discussions.

Convening people

Our fourth goal is to develop a global climate-and-health community of research, policy and practice that drives action. We are supporting the delivery of a Health Pavilion at the annual UN Climate Conferences (COP26, 27 and 28) that will provide a high-level platform to help put health at the heart of climate action. We are also supporting the climate and health team at the World Health Organization to strengthen capacity for climate and health activities in targeted Ministries of Health around the world, and for key personnel from these ministries to attend the COP conferences.

Looking ahead, we're planning consultations to explore communities of practice for transdisciplinary research and action in climate change and health in Africa, Asia, and Latin America and the Caribbean. This will help us to understand how Wellcome can invest in communities of practice to strengthen capacity for transdisciplinary research and action.

Wellcome at COP

At the Conference of the Parties (COP26) in November 2021, Wellcome called for a global approach to climate and health. When societies act to mitigate climate change, the impact on people's health should be both a motivation to act, and a factor in deciding what to do. We made this case in meetings, media and events, including our chair Julia Gillard's keynote address to the World Health Organization's Climate and Health conference.

We also attended COP27 in November 2022, another opportunity, working with our partners, to increase collaborative efforts and shape the actions taken by key climate actors, from UN institutions and national governments to businesses and civil society.

Impact of heat in factories

Jean Palutikof and Fahim Tonmoy, researchers at Griffith University in Australia, were funded by Wellcome in 2019 to explore the impact of heat stress on people working in ready-made garment factories in Bangladesh. They interviewed workers in a factory in the capital, Dhaka, with many reporting hot and uncomfortable working conditions. The researchers built a computer model of the factory to test interventions, including green and white roof coverings to reduce heat. They continue to explore interventions that could improve conditions, reduce accidents like fires and building collapses, and mitigate the long-term climate impacts of extreme factory heat.

Jean Palutikof

Fahim Tonmoy

Wellcome Leap

Wellcome Leap supports Wellcome's overall mission in a very different way to our historical approach.

Setting up large programmes of research with incredibly ambitious goals that might not be achieved is intended to generate a wealth of insights and tools that could go on, directly or indirectly, to solve health challenges now and in the future. Each programme is led by a programme director, who adjusts, iterates and directs teams working together to solve problems they cannot solve alone.

In August 2020, Wellcome's Board of Governors approved the Wellcome Leap strategic plan and allocated initial funding of £250 million. Based on progress reported in the first annual report, the Board approved a commitment of an additional £250 million in Oct 2021.

This second substantial tranche of funding reflects the successful introduction of Wellcome Leap's initial programmes and growing network of researchers and institutions. To date, it has deployed $132 million (£118 million) to scientists based in 24 countries, and launched seven programmes asking bold questions, such as "What if a distributed network of biofoundries could produce mRNA biologics?" and "What if we could double the number of people who receive an effective treatment for depression on the first try?"

Wellcome Leap is built on a unique model of innovation practised at the US Defense Advanced Research Projects Agency (DARPA). For more than six decades, this model has been an uninterrupted engine of breakthrough innovation. It is not a discovery science model, but neither is it a pure application model. It sits firmly at the intersection of the two.

Cross-mission activity

Wellcome undertakes many activities that contribute either to more than one of our strategic programmes (Discovery Research, Infectious Disease, Mental Health, and Climate and Health) or, like Wellcome Collection, to our mission as a whole. Because supporting science is a long-term commitment, we also continue support for a limited number of activities from previous strategies, such as our work to make safe, effective and accessible treatments for snakebites.

Equity, diversity and inclusion

Wellcome has rightly been challenged this year in relation to slow progress on our commitment to support anti-racism within the research sector (see page 65). In summer 2022, we announced progress in the development of positive action within our funding for researchers from minoritised communities, including exploring dedicated streams of funding available to researchers who identify as from Black and other ethnic minority groups who are currently underrepresented in our funding portfolio or in the wider science research funding sphere. We aim to target such action at the career stages where it will have the greatest benefits for diversity.

New actions include applying a set of positive action principles to funding decision-making processes, and exploring ways to deploy positive action measures in our funding decisions, for example applying positive action to applications similar in merit where it is proportionate to do so, taking into consideration our own funding data and that of the wider science community. We are exploring how best to achieve a consistent, transparent approach, which is vital to be fair and equitable and to encourage a more diverse group of people to apply for our funding.

We are also continuing with Success on the Board, which is a comprehensive development programme open to people of colour, people with chronic ill-health, disabled people and women from UK universities and research institutes who are interested in joining a board or committee. The aim is to equip participants with skills and guidance and support them to explore the membership of committees and boards of research institutions, universities and other organisations relevant to the sector, such as charities, hospitals, funders, and research organisations.

Wellcome Collection

Along with his wealth and our charitable mission, Henry Wellcome bequeathed us his collection of thousands of historical medical items. Today Wellcome Collection, our free museum and library in London, UK, shares these items and the stories behind them to challenge inequities in health, science and beyond.

This year, to support the development of a new strategy for Wellcome Collection, we introduced a new vision: a world in which everyone's experience of health matters. The strategy will continue to develop in 2023, making its vital role in Wellcome's overall mission clearer and more integrated. We are determined that our approach includes people traditionally excluded from conversations about health, science and medicine. In line with this direction, we closed our Medicine Man gallery in November 2022, recognising that it focused on the collector rather than on the people who created and used the objects collected. This decision was the result of several years of research and reflection, and was in line with regular reviews of all of the spaces and exhibitions where people can see items from our collections for free.

In terms of activities, this year has been about re-engaging with audiences in person after the Covid-19 pandemic. Despite an extended closure period in December 2021 and January 2022 because of high rates of Covid-19 transmission in the UK, we've seen a recovery in visitor numbers in line with the rest of London's cultural sector – we received 260,000 visitors to our building, and 78 percent felt their visit made them think more deeply about health or science.

In 2022 we opened two major exhibitions: *Rooted Beings*, asking what we might learn from plant behaviour, and *In the Air* (see page 26). Online, 3.6 million people (2021: 2.9 million) engaged with our digital content, including 670,000 views of our digitised content (2021: 500,000). Having leaned more heavily on our digital offer during lockdowns, introducing podcasts and hybrid events, these experiences are directly shaping our new ten-year strategy.

In the Air

Historical materials and contemporary artworks by artists including Tacita Dean, David Rickard, Dryden Goodwin and Forensic Architecture allowed Wellcome Collection visitors to explore connections between the atmosphere and the planet, investigate the geopolitics of air, and uncover the secrets of the air we breathe. The exhibition focused on access to clean air as a health issue, a human right and a weapon. It was described by one reviewer as “a bracing, uplifting and potentially reinvigorating exploration of the surprisingly long history of fighting for breath”.

In the Air. 2022. Wellcome Collection.
© Wellcome

Review of Investment Activities

Figure 1
Total portfolio net returns (blended £/US$)
Period to 30 September 2022

	One year return in £ (%)		
	Nominal	UK CPI	Real
One year return to Sept 2022	1.7	7.6	(5.9)
One year return to Sept 2021	34.5	1.5	33.0

	Annualised return in £ (%)		
	Nominal	UK CPI	Real
Three years	15.4	3.3	12.1
Five years	13.2	2.9	10.3
Ten years	14.1	2.2	11.9
Twenty years	11.7	2.4	9.3
Since Oct 1985	13.8	2.8	11.0

	Cumulative return in £ (%)		
	Nominal	UK CPI	Real
Three years	54	10	44
Five years	86	16	70
Ten years	275	24	251
Twenty years	819	60	759
Since Oct 1985	12,027	176	11,851

	Annualised return in US$ (%)		
	Nominal	US CPI	Real
One year	(15.8)	7.9	(23.7)
Three years	11.6	4.2	7.4
Five years	9.2	3.4	5.8
Ten years	10.0	2.3	7.7
Since Oct 2009	9.7	2.3	7.4

	Annualised return in blended currency (%)		
	Nominal	UK/US CPI	Real
One year	(7.3)	7.7	(15.0)
Three years	13.6	3.8	9.8
Five years	11.3	3.1	8.2
Ten years	12.1	2.3	9.8
Since Oct 2009	11.3	2.4	8.9

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.

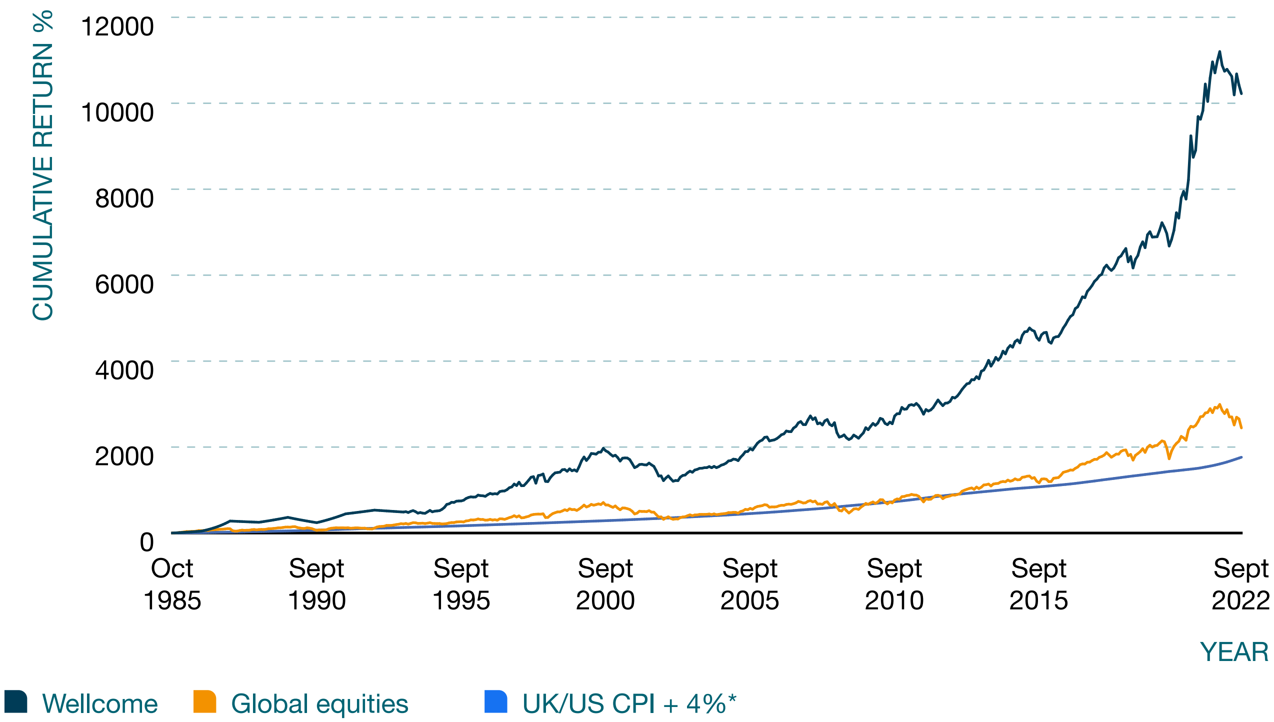
Summary

2022 has seen the most challenging conditions in financial markets since the Global Financial Crisis. There were very few places to hide as rising interest rates and high inflation caused nasty falls in prices of bonds, credit, and equities. Central banks have been the dominant influence on asset prices as they needed to drain liquidity from the global financial system to combat rising inflation. The US dollar rose inexorably through our financial year adding strains to the financial system. The Russian invasion of Ukraine added fuel to the inflationary fire through rapid rises in energy and commodity prices.

We had prepared for a more difficult environment by holding fewer equities and more cash, but we were not immune from the market moves. The portfolio returned +1.7% in sterling (Figure 1) (2021: +34.5%) as we ended the year with net assets of £37.8 billion (Figure 6) (2021: £38.2 billion). After taking account of £1 billion in charitable cash expenditure over the year, this is equivalent to a gain of £0.6 billion. Sterling returns were boosted significantly by currency weakness – in USD terms the portfolio was down -15.8% (2021: +40.3%).

Long-term returns remain strong and have led to exceptional growth in the endowment since 1985, when Wellcome began to sell the pharmaceutical company in which we had our roots (Figure 2). Over the past ten years, the portfolio has delivered a real return after inflation of +251% in sterling (+11.9% a year in real terms or +14.1% a year in nominal terms). However, it is important to remember that until recently, central banks have provided tailwinds to returns through ultra-low interest rates and quantitative easing. This has now become a headwind as high inflation has forced the hands of central banks, led by the US Federal Reserve (Fed), into raising interest rates. We expect macro conditions to remain difficult

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



£ used to 30 September 2009. Blended £/US$ used from 1 October 2009.

*Note that the target return was UK/US CPI +6% until 30 September 2012. It was reduced to UK/US CPI +4.5% from 1 October 2012 until 31 December 2017, and then changed to UK/US CPI +4% from 1 January 2018.

and therefore do not expect a repeat of the portfolio returns of the last decade.

In this environment, our focus is on preserving a healthy cash flow rather than avoiding volatility. We have pared holdings in low conviction assets but continue to make new investments where we see opportunities to plant seeds for future returns at increasingly attractive entry prices. As long-term investors, if we look after our liquidity, asset price volatility can be our friend rather than our enemy.

Overview

Global equity markets peaked around the start of the calendar year, after which they entered a deep bear market. As is typical of bear markets, there were several sharp rallies, notably in July, when there were hopes that the Fed might ease off on the speed of interest rate rises. However, Fed Chairman Powell's speech at the Jackson Hole Symposium at the end of August dashed these hopes. He was very clear that the labour market was too tight, inflation was too high and that the only way out was to inflict economic pain through aggressive interest rate rises. Markets got the message and produced a miserable September.

Evidence mounted during the year that inflation was not going to subside rapidly, as many had hoped, when supply shocks caused by the global response to Covid-19 receded. Even before the Russian invasion of Ukraine on 24 February, inflation had been rising sharply. Global demand recovered sharply but repeated lockdowns in China due to zero-Covid policies continued to challenge global supply chains. Moreover, the impact of war in Ukraine on energy and commodity prices pushed both consumer and producer price inflation to multi-decade highs in many developed economies.

Against an inflationary backdrop, central banks will be worried that labour market statistics (usually a lagging indicator) remain very strong. UK unemployment dipped to 3.5%, a level not seen since early 1974. US unemployment reached levels last seen in 1969, while that in the Eurozone has never been this low since the creation of the single currency. The lingering impact of the Covid-19 pandemic continues to have an impact on the availability of labour but, as society ages, we will probably have to get used to persistent labour shortages in many countries.

By contrast, forward-looking measures of business and consumer confidence look very weak. Composite PMI numbers in the US, UK and Eurozone were all pointing to a likely recession as at the end of our financial year. These numbers are not the most reliable of economic indicators, but they certainly suggest a more depressed economic environment is the most likely scenario.

Economic pessimism reflects the fact that interest rates are rising sharply almost everywhere, driven both by central bank action and by aggressive selling in bond markets. We are not major investors in fixed income but returns from fixed income strategies in 2022 have been some of the worst on record in that asset class. Returns in traditional balanced mandates that invest in equities and bonds have been poor – the Bloomberg 60:40 Index (60% large US equities; 40% diversified US bonds) was down -3.7% in GBP (-20.8% in USD) in the first nine months of 2022.

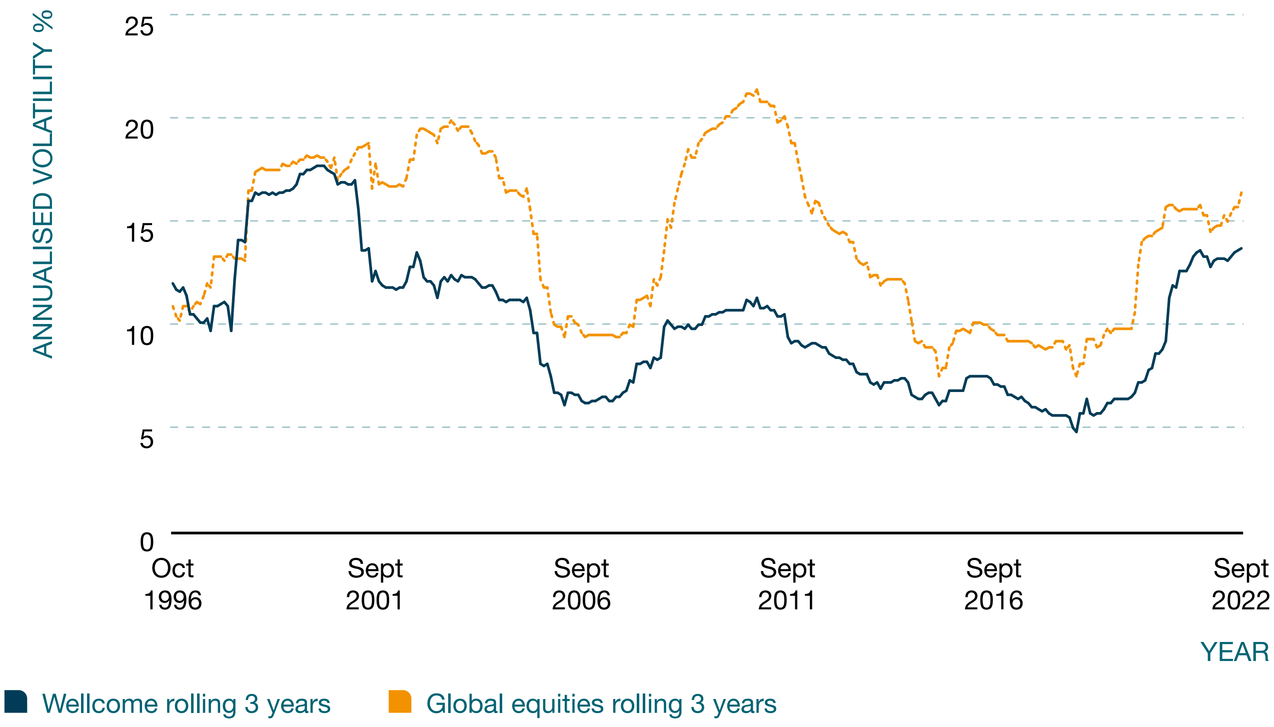
The small gain in our portfolio over the financial year was largely a function of holding most of our assets in currencies other than sterling. The dollar was strong against all major currencies due to a relatively stronger US economy, more aggressive interest rate rises by the Fed, and the fact that the US is not dependent on energy imports. Sterling depreciated by over -17% against the dollar during the year (2021: +4%) and by a more modest -2% against the euro (2021: +6%). Domestic UK political instability and persistent fiscal and current account deficits hurt sterling, although it was by no means the weakest major currency – the Japanese yen depreciated by -23% against the dollar (2021: -5%). Sterling weakened sharply and sterling denominated bond yields rose meaningfully at the end of our financial year in response to the tax cutting proposals in the mini-budget statement in late September. This had a positive impact on our year end valuation, which has subsequently reversed (refer to Note 24 page 170).

Our £13.7 billion public equity portfolio had a very disappointing year, falling -12.7% (2021: +16.5%) in absolute terms, which was a much worse performance than the -3.7% return from global equities. Negative returns from public equities were the principal cause of weakness in the broader portfolio. Our main internally managed equity portfolio (the Global Compounders Basket) did better than our third-party managers but was still down a disappointing -6.3% (2021: +12.4%).

Our £4.9 billion hedge fund portfolio did its job of protecting value and delivered a positive return of +5.7% (2021: +11.2%). However, there was wide dispersion within the portfolio. The absolute return funds, which are hedged with sophisticated risk systems and can seek profits in any asset class, delivered an outstanding performance of +33.7% (2021: +8.3%). Our equity long short hedge funds, which had lagged the long bull market, also failed to protect us on the downside and delivered a worse return than global equities at -13.3% (2021: +12.7%).

Despite a one-year return of +7.7% (2021: +72.6%), our £14.8 billion Private Equity (PE) portfolio has not escaped completely unscathed from the drawdowns in major liquid asset classes, as valuations have started to slide from their peaks. Short-term measures of PE returns are always of limited value as there is a considerable lag before private market valuations fully reflect what has happened in public equities. However, there have been some sizeable mark downs, especially where underlying companies have required fresh capital, which we expect to be repeated more widely across private assets over time. Cash flows from the private portfolio turned negative this year as IPO markets were effectively closed and distributions dried up.

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



£ used to 30 September 2009.

Blended £/US$ used from 1 October 2009.

Our £3.1 billion property portfolio has been a relatively bright spot this year, delivering a positive return of +11.0% (2021: +16.1%). There was a good return of +11.4% (2021: +4.4%) from the residential portfolio, the best for several years as strong rental growth and low voids overcame the headwind of rising capitalisation rates. There was an added kicker as the valuations reflected a sharp increase in units available to rent following the completion of most of a major programme of renovation and upgrading works. There were also good contributions from our 100% owned subsidiaries, Premier Marinas and Urban&Civic. Planning work continues on several potentially significant development sites in the portfolio.

In our overlay book, we did not issue any new bonds or repay any existing bonds during the financial year. However, sharp rises in interest rates had the effect of reducing the market value of our bonds significantly, which in turn boosted the market value of our net assets. In the light of the difficult market backdrop, we continued to hold abnormally high levels of cash throughout the whole year, which both provides comfort to stakeholders that there will be no difficulties in funding the mission and enables us to take advantage of market dislocations. We did not use any equity options or futures during the year. However, we were unusually active in our FX book, adding currency hedges as sterling depreciated sharply to levels well below long-term fundamental fair value. None of these hedges matured during the year

Outlook

We have been expecting a more difficult environment for a considerable time, so it is not surprising that macro tailwinds have become strong headwinds. We have previously referred to returns having been borrowed from the future due to abundant liquidity and unrealistically low interest rates. Some of this excess return has been paid back during 2022, but the headwinds are likely to persist for much longer, potentially creating conditions for an extended period of sub-par returns.

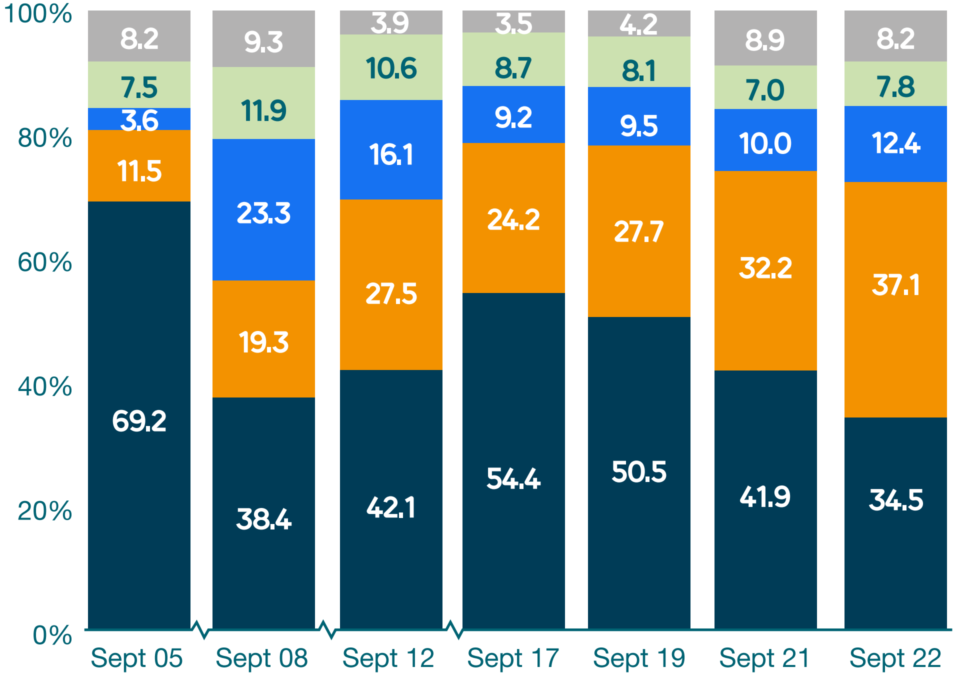
Interest rate rises seem to have shocked markets, but the fact is that real rates remain well below long-term historical norms given the context of high inflation. If central banks are set on bringing down inflation, financial conditions will have to tighten further, pushing up the cost of capital for companies and consumers alike. If tighter financial conditions bring with them a recession, corporate earnings will probably also come under pressure. Equity market valuations have come down significantly, which is a positive, but it remains to be seen whether they have come down far enough to compensate for the risk of significant damage to the earnings base. Strategies relying on access to abundant cheap leverage will face a particularly difficult future.

Inflation is a key challenge for all investors but our portfolio strategy of holding real assets (equity and property) and issuing fixed rate nominal debt should provide some protection over the long-term. Our public equity weightings ended the year at historically very low levels. In recent years, we have raised our cash levels and responded to lower expected market returns by seeking better opportunities in less liquid private assets (Figure 4). However, we are watching for an opportunity to deploy capital back into public equities, which (at the right price) should be the default liquid asset class for long-term, unconstrained investors like Wellcome. We are keenly aware that cash holdings are rapidly eroded by inflation but for now, we remain content to retain the optionality of a higher-than-normal cash balance, especially as it seems likely that distributions from PE will remain subdued for the foreseeable future.

Recent geopolitical shocks have complicated the investment universe for global investors. Rapid policy changes in China have suggested that foreign investors' concerns will not feature prominently in the thinking of the new leadership team, which has implications for inward capital flows. The invasion of Ukraine and the subsequent impact on food and energy prices has been a salutary reminder that many economies remain highly vulnerable to commodity shocks. It has also caused significant disruption to global capital flows. The assumption that we can access investment opportunities across the world in a relatively unimpeded way may no longer be valid if we see increasing fragmentation in the global economy and a retreat from integration.

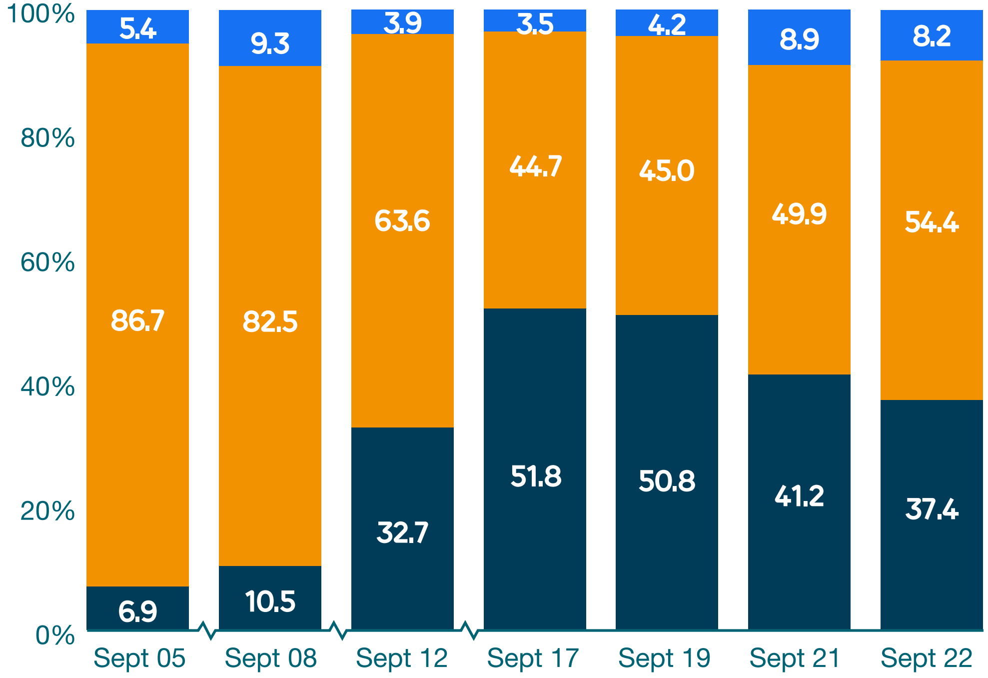
Given the macro conditions, we expect more volatility and are prepared for further downside in asset prices. Our portfolio is well diversified, invested with exceptional partners, and in assets with identifiable structural tailwinds. This should enable us to deliver positive real returns over the long-term. However, in the shorter term, we will continue to focus more on delivering the cash flows necessary to fund the mission than headline valuations.

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 2022

	2022 £mn	2021 £mn	2022 %	2021 %	One year return to Sept 2022 %	One year return to Sept 2021 %
Total public equities	**13,694**	**17,414**	**34.5**	**41.9**	**-12.7**	**16.5**
Indirectly managed public equity	**4,043**	**5,016**	**10.2**	**12.1**		
Global	2,256	2,872	5.7	6.9		
Developed markets	1,283	1,505	3.2	3.6		
Growth markets	504	639	1.3	1.6		
Directly managed public equity	**9,651**	**12,398**	**24.3**	**29.8**		
Global compounders basket	9,119	11,215	23.0	27.0	-6.3	12.4
Other	532	1,183	1.3	2.8		
Hedge funds	**4,925**	**4,161**	**12.4**	**10.0**	**5.7**	**11.2**
Equity long/short	2,348	2,450	5.9	5.9	-13.3	12.7
Directional hedge funds	9	9	-	-	14.4	30.2
Absolute return hedge funds	2,568	1,702	6.5	4.1	33.7	8.3
Cash & Bonds	**3,274**	**3,714**	**8.2**	**8.9**		
Private equity	**14,751**	**13,384**	**37.1**	**32.2**	**7.7**	**72.6**
Buyout funds	3,875	3,296	9.8	7.9	18.6	30.5
Multi asset partnerships	733	715	1.8	1.7	19.5	7.7
Venture funds	8,030	7,543	20.2	18.2	4.6	79.6
Direct Private	309	210	0.8	0.5	42.7	370.6
Private co-investments	1,804	1,620	4.5	3.9	-5.8	182.4
Property	**3,103**	**2,889**	**7.8**	**7.0**	**11.0**	**16.1**
Net overlay assets*	**(2)**	**(11)**	**-**	**-**		
Total assets	**39,745**	**41,551**			**-1.7**	**29.2**
Bond liabilities	(1,939)	(3,368)				
Total liabilities	**(1,939)**	**(3,368)**				
Total assets net of all liabilities	**37,806**	**38,183**			**1.7**	**34.5**

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

*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 2022

	Annualised return in £ (%)				
	1 year	3 years	5 years	10 years	Since Sept 2008
Global	-13.0	3.4	5.7	10.8	8.4
Developed world	-10.2	2.2	4.9	11.5	9.5
Growth markets	-12.6	0.4	1.9	6.0	4.2
Total public equities	**-12.7**	**3.8**	**5.6**	**10.4**	**9.1**
Of which:					
Directly managed Global Compounders Basket	-6.3				
MSCI AC World Index	-3.7	7.7	8.9	11.9	10.0

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 2022

Rank 2022	Rank 2021		Total Value £mn	Total Value US$mn	Return on Cost GBP (inception dates differ)
1	2	Microsoft	511	570	8.8x
2	5	Nestle	505	564	2.4x
3	3	Alphabet	498	556	8.4x
4	7	Amazon	451	504	1.3x
5	6	Apple	408	456	18.8x
6	20	Visa	382	426	1.1x
7	12	Roche	351	391	2.4x
8	23	Johnson & Johnson	348	389	2.8x
9	9	HDFC Corp	328	366	1.5x
10	10	Berkshire Hathaway	309	345	3.7x
			4,091	**4,567**	

Top ten direct public equity holdings represent 29.9% of total public equities.

Internally calculated RoCs to September 2022 which do not include performance while held as private companies, where applicable.

Public Equity

During our financial year, global equity markets (MSCI AC World Index) delivered a total return of -3.7% in sterling or -20.3% in US dollars. There were few markets that delivered positive returns in local currencies, let alone in US dollars. The Eurozone, Japan and the technology heavy NASDAQ all suffered double digit negative total returns in sterling terms, as did the global emerging markets index. Large cap US and UK stocks just managed to scrape a positive total return for the year in sterling but were down sharply in dollars. Value stocks performed better than growth stocks for most of the year.

The return on our public equity portfolio was sharply negative in absolute terms at -12.7% (2021: +16.5%). This was well below the -3.7% return on the global equity index. This is clearly a disappointing result, although our focus remains on long-term absolute returns. Since we started owning stocks directly (rather than outsourcing the whole portfolio) in September 2008, the return on our public equity portfolio has been 9.1% a year (Figure 7).

Equity market volatility moved sharply higher during our financial year and on a trailing 3-year basis is now above levels seen during the Covid-19 pandemic (Figure 3). We expect volatility to remain elevated given the difficult macro backdrop and the tightening monetary conditions. The volatility of our portfolio remains below that of global equity markets, but the gap has closed over the last decade despite a lower weighting in public equities (Figure 4). This is partly because mature PE and venture capital (VC) funds are tending to hold a higher proportion of public stocks and mark private holdings to market more promptly.

The £9.1 billion internally managed Global Compounders Basket (GCB) performed better than our externally managed portfolios, although at -6.3%, its return was still behind that of the global index. This is a concentrated portfolio of very large international companies, which are well positioned to benefit from secular tailwinds such as cloud computing, financial inclusion in emerging markets and e-commerce. The main detractors to GCB performance this year have been holdings in Chinese stocks and Vonovia, the largest residential property company in Germany. We manage our direct holdings with a very long-term focus. This means we generally have extended holding periods and can take advantage of volatility to add exposure to great companies at attractive prices.

During the year we continued to reduce exposure to stocks that are highly dependent on the economic cycle and to build positions in companies with clear secular tailwinds. In the process, we reduced our overall equity exposure by just under £1.6 billion, reflecting our negative outlook, almost all of which came from direct holdings. As a result, the portion of the overall portfolio managed internally shrank during the year (Figure 5). Our largest holdings are shown in Figure 8 – a full list of the companies we own directly in the GCB and elsewhere is available on our website. We have continued to engage actively with the companies in our portfolio on a range of topics related to their licence to operate. Our approach to responsible investing and stewardship is outlined in detail on our website.

Other significant direct holdings outside the GCB are Syncona and DoorDash. Syncona is a UK listed life sciences company, founded by Wellcome in 2012. Its share price was down only very slightly over the year, despite a very weak market for early-stage biotechnology companies (the NASDAQ Biotech Index was down -9.7% over the year). The company has continued to invest and to see positive clinical progress at underlying companies. They successfully exited one investment by selling Gyroscope to Novartis and have a strong balance sheet with ample cash. We remain supportive long-term shareholders. DoorDash has continued to grow its business robustly, but its share price has been badly affected by the market's dislike of long duration growth stocks, falling by 76% in USD during the financial year. This was a major drag on the portfolio, despite us having substantially reduced our position (which was bought at much lower prices as a private company) last year.

Our £4.0 billion portfolio of outsourced equity managers had a very poor year. None of them outperformed their underlying benchmarks with the worst performance in absolute terms coming from our global growth manager, where the portfolio was down -37.4%. We can tolerate this kind of volatility given our long-term perspective – this manager has been in our portfolio since 2003, during which time they have delivered annualised returns of +11.6%, representing outperformance of nearly +2% a year.

The total value of our public equity holdings is down by £3.7 billion this year (Figure 6), which has taken the proportion of the portfolio in public equities to its lowest level this century (Figure 4). Just under half of this reduction was deliberate action taken to reduce equity exposure to protect the portfolio against market declines and to boost cash levels to fund charitable spending and investment in other asset classes. Market declines accounted for the remainder of the reduction and cost the portfolio just over £2.1 billion during the year. Most of the sales were in the direct portfolio. Other than trimming a small amount from two managers, we did not make changes to the outsourced portfolio.

Figure 9a
Illiquid asset net returns (£) (%)
Period to 30 September 2022

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Directional	14.4	-0.2	3.8	6.7
Absolute return	33.7	15.9	13.0	10.5
Equity long/short	-13.3	6.4	7.9	10.6
Total hedge funds	**5.7**	**11.2**	**10.7**	**11.1**
Buyout funds	18.6	15.6	14.0	15.0
Multi-asset partnerships	19.5	8.7	8.9	
Venture funds	4.6	34.1	32.2	27.5
Direct Private	42.7	85.4	33.8	
Private co-investments	-5.8	45.8	39.8	
Total private equity funds	**7.7**	**28.0**	**23.8**	
Non-residential property	10.7	17.7	14.6	10.1
Residential property	11.4	4.8	1.8	5.8
Property	**11.0**	**12.2**	**8.7**	**9.1**
MSCI AC World	-3.7	7.7	8.9	11.9

Figure 9b
Illiquid asset net returns (US$) (%)
Period to 30 September 2022

	Annualised return in US$ (%)			
	1 year	3 years	5 years	10 years
Directional	-5.3	-3.5	-	2.8
Absolute return	10.7	12.1	8.9	6.4
Equity long/short	-28.2	3.0	4.0	6.6
Total hedge funds	**-12.5**	**7.6**	**6.7**	**7.1**
Buyout funds	-1.8	11.2	9.5	10.6
Multi-asset partnerships	-1.0	5.2	5.0	
Venture funds	-13.4	29.7	27.4	22.9
Direct Private	18.1	79.4	29.0	
Private co-investments	-22.0	41.1	34.7	
Total private equity funds	**-10.8**	**23.8**	**19.4**	
Non-residential property	-8.3	13.9	10.4	6.1
Residential property	-7.8	1.4	-1.8	2.0
Property	**-8.1**	**8.6**	**4.8**	**5.1**
MSCI AC World	-20.3	4.2	5.0	7.8

Hedge Funds

Our £4.9 billion portfolio of hedge funds had a positive year overall, returning +5.7% (2021: +11.2%) (Figures 9a and 9b). The value of vehicles that can profit in down markets is at its greatest during a bear market, providing a rare source of positive return. To the end of this financial year, reporting of hedge funds has included equity long short and absolute return managers. There will be some changes to composites from next year. Over one, three and five years, the portfolio has delivered better returns than public equities with much lower volatility. Over ten years, public equities have done slightly better, which is not surprising given that most of this period was a liquidity fuelled bull market.

Performance of our £2.3 billion portfolio of equity long short hedge funds was very disappointing with a return over the year of -13.3% (2021: +12.7%). This was substantially worse than global equities, despite the ability of these funds to go short and worse liquidity terms for us than owning long only equities. As a group they have underperformed the long bull market in equities and failed to protect our capital as the market has turned. This has led us to consider carefully our exposure to these vehicles. There has, however, been wide dispersion among managers, which indicates that some of them have adapted more rapidly to a very different environment. The best performing manager was up +16.2%, while the worst was down -50.0%.

Our £2.6 billion portfolio of absolute return funds had a very strong year, with returns of +33.7% (2021: +8.3%) making it the best performing part of our overall portfolio. These funds have the flexibility to invest in a wide range of assets with low correlation to equity markets. Although they can be highly levered, they typically have highly sophisticated risk models. We have increased our exposure to this group during the year, although it is difficult to find managers that meet our criteria at a suitable scale for our portfolio size. All the funds that were held for a full year delivered a positive return, with the best performer delivering over +65% return.

In future years we will be aggregating our reporting on the equity long short funds with our public equity exposure, given the high correlation with equity market returns. This reflects the objective for these managers to deliver a superior return to equities through the cycle by adding value on both the long and the short side. It is, as we have seen, a tough task. The absolute return funds will continue to be reported separately. They look well positioned for the current environment, as they can invest in a wide range of investment instruments, which enables them to make positive absolute returns in any environment. They will not generally keep up with unfettered bull markets in equities, but we do not judge it likely we will see another one of those for an extended period.

Private Equity

Our private equity (PE) portfolio has grown significantly in recent years, in part due to deliberate allocation decisions and in part to exceptionally strong performance. This strong performance has now stalled – over the past financial year, the total private equity portfolio returned +7.7% (2021: +72.6%) (Figures 9a and 9b). We have seen meaningful local currency (primarily USD) mark downs of valuations in each of the first three quarters of 2022 across our portfolio of buyout funds, venture capital funds (VC) and direct private investments (including co-investments). However, the depreciation of GBP over the year resulted in a gain in the portfolio value in GBP terms. Private equity is subject to the same underlying economic pressures as public equity and is therefore not immune from the cycle. Experience of previous cycles suggests that there will be a lag as private valuations catch up with movements in public markets, so we expect valuations to continue to come down. It might happen faster in this cycle as mature funds tend to hold more public stocks and regulators have encouraged PE managers to mark private companies to market more quickly.

Our total exposure to PE now stands at £14.8 billion, or 37% of gross assets. The largest portion of this is in VC funds (£8.0 billion). We are fortunate to have strong relationships with some of the best VC funds, which have given us exposure to some of the most exciting, innovative companies in the world. Over the long term this will provide a valuable source of growth for the endowment. However, in recent years, valuations appear to have become irrational in parts of the VC universe so it is entirely to be expected that there should be a correction. In our portfolio, this has started with a -13.4% movement down in USD (2021: +87.3%). However, currency moves resulted in a positive return of +4.6% in GBP (2021: +79.6%). Over the ten years to 2022, the annualised performance of our VC portfolio has been +27.5% while the overall multiple on invested capital from our VC funds since inception has been 2.3x (Figure 10). There is likely to be a more difficult period likely ahead of us, but we have every confidence in the ability of our VC partners to continue to deliver premium returns over the long term.

Our buyout funds (£3.9 billion) have been resilient so far, which is partly a function of having a larger weighting to more cyclical sectors where public markets have held up well. The portfolio was up by +18.6% (2021: +30.5%) over the financial year but all the positive movement was attributable to currency – the portfolio was down -1.8% in USD (2021: +36.1%). If current conditions continue, our managers will not be immune. However, they have demonstrated an ability over the long term to deliver premium returns to public equity. Over the past ten years, the annualised return from our buyout funds has been more than 3% above that from public markets (Figures 9a and 9b), while the since inception multiple of invested capital has been 1.5x. We have made some meaningful commitments recently that should be invested at attractive prices and therefore stand a good chance of delivering attractive returns in future years.

There has been a mark down of -5.8% (2021: +182.4%) in the valuation of our £1.8 billion book of private co-investments. This is a more concentrated portfolio than our fund investments, with a total of just 40 underlying companies. It is therefore not surprising that it is much more volatile than the VC or buyout fund portfolios. This year, several big positions that were marked up last year (reflecting secondary market transactions and fund-raising rounds) have been marked back down again. We are very comfortable with the fundamentals of the businesses and continue to be active in adding positions to this portfolio. With capital now scarcer, our PE partners are more likely to seek willing co-investors and we are open for business. The £309 million direct private portfolio is a very concentrated portfolio and was up +42.7% over the year (2021: +370.6%).

Figure 10
Private equity fund net returns (multiples). Inception to 30 September 2022

	Drawn (£mn)	Realised (£mn)	Net Asset Value (£mn)	Total Value to Drawn
Buyouts	10,264	11,659	3,875	1.5x
Venture	7,055	8,140	8,030	2.3x
All Private equity funds <=2016	12,512	19,412	5,941	2.0x
All Private equity funds >=2017	4,807	387	5,964	1.3x
All Private equity funds total	**17,319**	**19,799**	**11,905**	**1.8x**

Total Value equals Realised plus Net Asset Value. Total Value to Drawn gives a measure of return on invested capital. Funds of vintage years 2016 and earlier have generally finished their investment period.

Our multi-asset partnerships (MAPs) are a legacy portfolio of investments with strong local institutions in selected emerging markets, which were designed to invest across asset classes. Four of the original six mandates have been wound up or are in run off, so this is the last year that we will report on these funds as a portfolio. In future years, remaining assets will be allocated to the asset class composite that most closely mirrors the assets they hold. This £733 million portfolio was up +19.5% over the year (2021: +7.7%), reflecting the fact that emerging market assets have held up relatively well in comparison to those in the developed world.

Our PE portfolio was cash flow negative this year. We had forecast this given that we have made significant new fund commitments in recent years. However, it was even more negative than expected as distributions fell sharply. The bear market in public equities meant that the IPO market was effectively closed, while uncertainty and rises in the cost of debt meant merger and acquisition activity slowed down. We are also now seeing a marked slowdown in capital calls. Price expectations among potential sellers of businesses have yet to adjust to the new reality, while potential PE buyers are being much more price sensitive. We therefore expect funds to be deployed more slowly, leading to longer fundraising cycles, which should mean that our significant outstanding commitments will be drawn down relatively slowly in the coming years. Total capital calls across the PE portfolio this year were £1.9 billion, with distributions of £1.6 billion resulting in a net cash flow of -£355 million (2021: +1.9 billion). We made total new commitments to PE during the year of £3.3 billion to lay the ground for future returns. Of this, £1.5 billion was to buyout funds, £1.4 billion to VC funds and £0.4 billion was to direct private investments and co-investments.

Property, Infrastructure and Asset-Backed Operating Companies

The property portfolio has been a bright spot in a difficult year. Sharp interest rate rises in the UK may cloud the picture looking forward, but during the financial year, robust underlying growth in rentals, sales and other income meant that the total return of the overall portfolio was +11.0% (2021: +16.1%) (Figures 9a and 9b).

The residential property portfolio was up +11.4% (2021: +4.4%), boosted by a recovery in demand for prime central London property. This has reduced voids to virtually nothing and led to strong increases in rental values in our South Kensington Estate, pushing up its value meaningfully for the first time in several years. Our residential returns have been further boosted by the completion of most of an extensive programme of renovation of houses of multiple occupation and former serviced apartment blocks. During the year, we brought 121 residential units back onto the market after complete renovation, bringing the total since the start of the project before the Covid-19 pandemic to 198 units, equivalent to over 20% of our total available units. The capex involved in this programme has now largely been reflected in the valuations, while our income will receive a permanent boost. Planning work continues on potential development sites in South Kensington.

The overall return in the non-residential property portfolio was +10.7% (2021: +24.1%) with contributions from several areas. We sold our interest in the budget hotel chain Point A in April, realising a strong return on our investment, which dated from 2013. An increase in the value of Premier Marinas reflected continuing strong demand for berths as interest in leisure boating, which was boosted by the pandemic, has continued to be strong. We are well advanced in a complete renovation of the marina at Noss on Dart in Devon and have implemented improvement works at other sites as we continue to invest in the business.

Urban&Civic continued to see strong demand for master planned sites ready for housing developers, which has contributed to an increase in valuation. We injected most of our agricultural land assets into U&C at the start of the financial year. They have also been instrumental in managing the process of working up detailed plans for the expansion of the Wellcome Genome Campus at Hinxton, Cambridgeshire.

Our investment in California-based private infrastructure company Generate continues to perform extremely well given the strong demand for renewable energy, waste management and clean transport. We decided not to go ahead with the planned sale of our remaining student accommodation block at Northumberland Avenue and will instead continue to operate the building ourselves. The asset is trading very well given strong demand for well-located student accommodation.

Over the course of 2021/22, we deployed a total of £115 million into property assets, while receiving distributions of £214 million, resulting in a positive net cash flow of +£99 million. However, this part of the portfolio is likely to absorb substantial investment over the coming years.

Bonds, Portfolio Overlays, Currency, Regional and Sectoral Overview

We did not use any equity futures or options as hedges this year as we have focused instead on raising cash levels by direct sales of underlying equities. With volatility and interest rates having increased, the cost of option protection has gone up significantly.

We have been more than usually active in the foreign exchange overlay (FX) book as sterling weakened quite dramatically. The dollar has been extremely strong this year for good reasons – US growth has been superior; the US is energy independent and US interest rates have risen further and faster than those elsewhere. However, Wellcome's charitable spending and bond liabilities are still predominantly in sterling. We therefore increased our hedges as the value of the currency became more detached from long-term fundamental fair value as expressed in terms of purchasing power parity (PPP), which the OECD estimates at just over $1.40. With the dollar now appearing quite overvalued, we chose to add hedges against the dollar rather than increasing our euro-sterling hedges. By the end of the financial year, our net sterling exposure after currency hedges had increased to 23.9% (2021: 12.5%), although there has been little change in our underlying sterling asset base. Strong appreciation in GBP, although not currently our base case, would nevertheless present a headwind to future returns given our underlying asset mix.

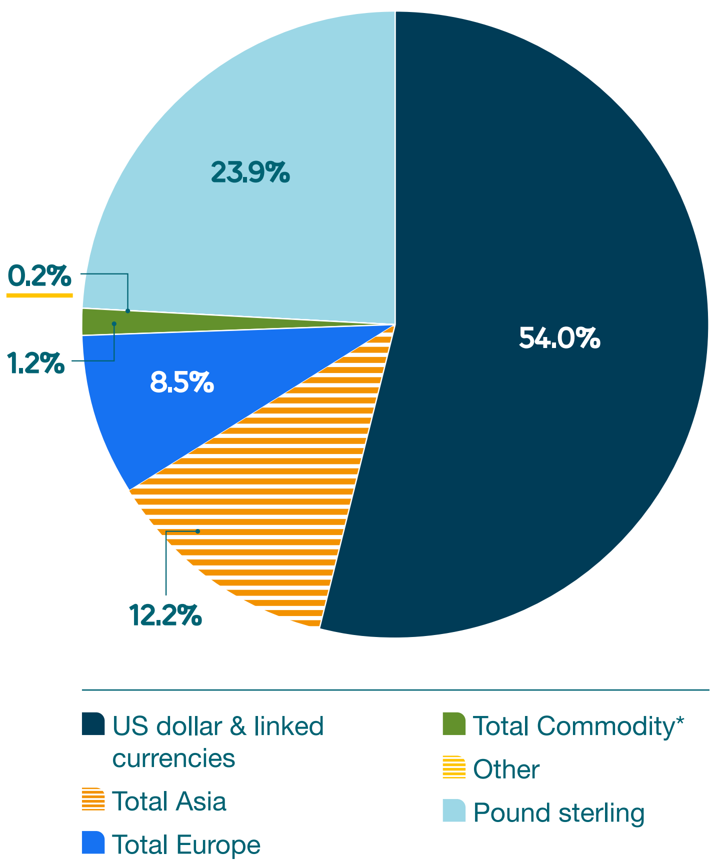
There has been a further significant mark to market decline in the value of our bond liabilities as interest rates have increased sharply. This resulted in a positive uplift of £1.4 billion to our net asset value, although there was no cash impact. Our bonds were all priced below par value at the end of the financial year, which means that the market value of our liabilities will increase as the bonds approach maturity (we will eventually repay the par value). However, if interest rates continue to increase in the short-term, this may take a long time to take effect. We did not issue any new debt or repay any maturing bonds during the year.

Increasing our sterling hedges has brought our US dollar exposure down to 54.0% (2021: 65.0%) including explicitly pegged currencies. This was a deliberate decision given the extended rally in the dollar, which has strengthened by over 50% on a trade weighted basis in the years since the onset of the Global Financial Crisis in the middle of 2008. Our exposure to Asian and other European currencies has fallen slightly as US assets have continued to outperform.

Performance of our holdings in China have been disappointing over the past two years. The political climate in China has been quite frosty towards foreign investors and zero-Covid policies have caused massive economic disruption. Holdings elsewhere in Asia and other emerging markets have performed reasonably well. There remains every prospect that the economies of many Asian countries, including China, will grow faster than those in Europe and North America. However, as the last two years have demonstrated, it is not always easy to translate economic growth into portfolio returns. Continued outperformance of our US assets and the addition of some new positions have increased the proportion of our total equity (public and private) in the Americas to 62% (2021: 55%) at the expense of Asian and European investments.

The sectoral positioning of the combined equity exposure has not shifted much. There has been a slight increase in our weighting in information technology to 30%, but roughly equivalent declines in consumer discretionary and communication services, which include many technology-related or enabled stocks. We have reduced our holdings in the financial sector to 11%, sold out of our remaining listed energy exposure and increased positions in healthcare stocks, taking exposure there to 14%. These moves are all the outcome of idiosyncratic bottom-up investments rather than sectoral asset allocation.

Figure 11
Currency allocation (net of currency forwards) (%) As of 30 September 2022



*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 2022

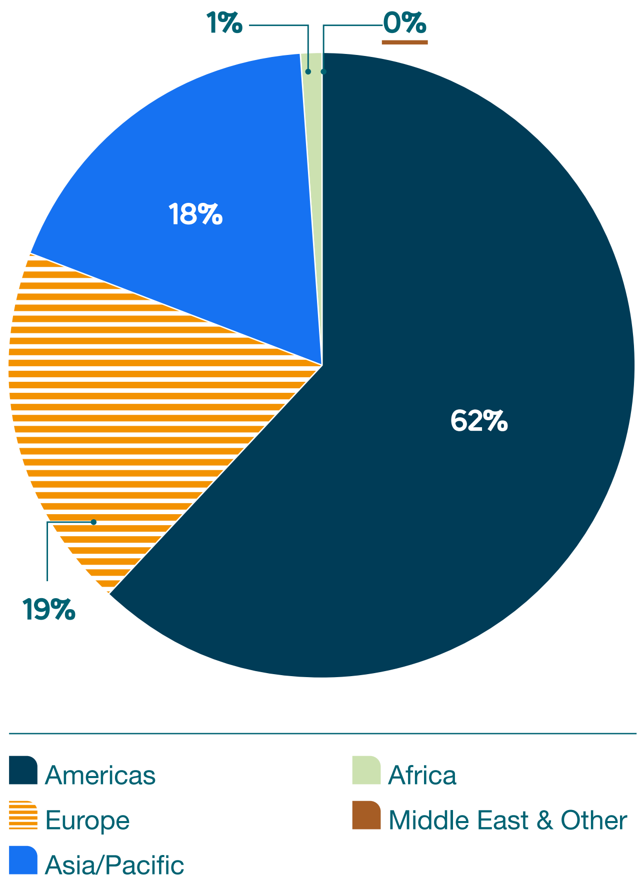
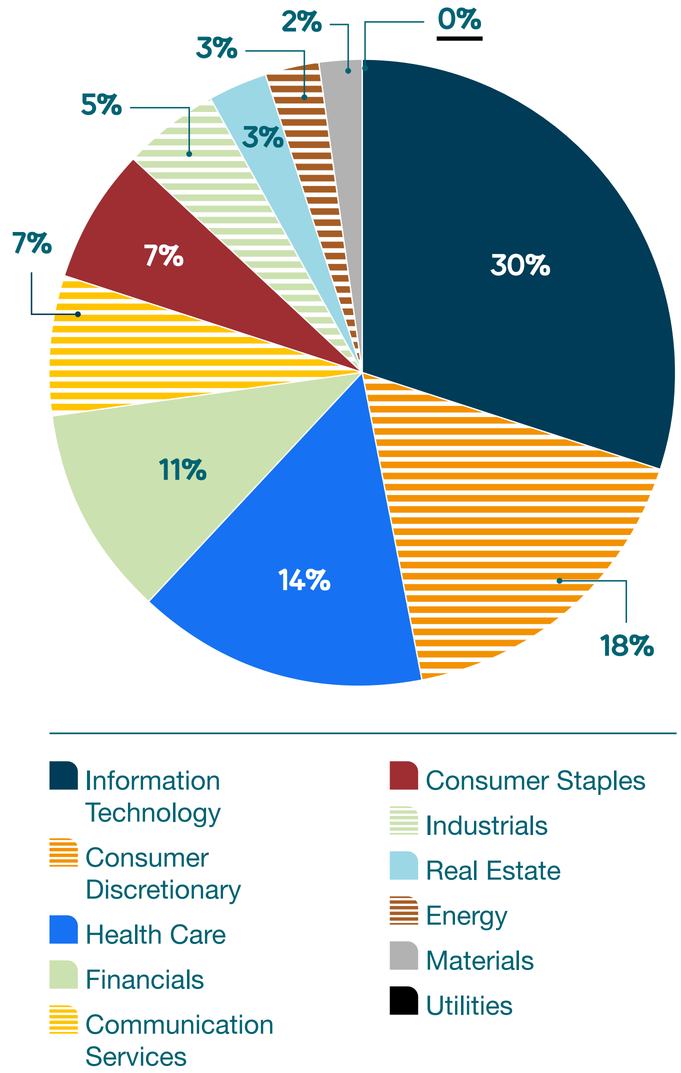


Figure 13
Public and private equity sectoral exposure (%) As of 30 September 2022



Progress report – Investments net zero strategy

Since we announced our Net Zero commitment in 2021, both the complexity and the importance of the task ahead have only become more evident. Against this backdrop, we have built momentum and made good progress in putting the portfolio on a trajectory to achieve net zero by 2050 at the latest. The core metrics we are monitoring have all improved from last year, and we are pushing ahead with our engagement initiatives. The focus is on driving real world change, and our strategy follows the same principles of engagement and stewardship that we employ across our assets.

The Climate Net Zero Landscape – a rapid evolution

2021 saw a flurry of company announcements of net zero targets. Companies were quick to declare their long-term aims of achieving net zero by 2050, as were several asset owners and managers. More than one third of the world's largest public companies now have net zero targets, up from one fifth in December 2020[1]. Government commitments are on the rise, with more than 70% of global emissions now covered by a national net zero target[2]. However, scrutiny is rightly being placed on the robustness of these targets and the public and private sectors' ability to execute. The discussion has evolved to cover not only the why, the what and the who, but also the how. In our portfolio, 2022 has also been a year focused on action, adding more substance to underpin our commitments, while continuing to urge more people to take the first step on this net zero journey.

For asset owners and managers, there has been increased participation in investor groups such as the Net Zero Asset Owners Alliance, the Glasgow Financial Alliance for Net Zero and the Institutional Investors Group for Climate Change (IIGCC). Wellcome is a member of the IIGCC, which now has a 350+ strong membership covering €60 trillion. These groups allow investors to share best practice on portfolio emissions measurement, engagement strategies and climate solution allocations. We have made good use of our IIGCC partnership, with members of the investment team joining IIGCC teach-ins, working groups and contributing towards discussions for methodology papers.

However, major challenges remain. More comprehensive disclosure and uniform reporting of emissions is still required, as is greater consideration of scope 3 emissions. How to ensure that the energy transition is 'just' remains a major conundrum. Conversations have shifted away from a blanket use of divestment or offsets as a quick fix, towards the challenging task of implementing real world emissions reduction. It is positive to see that companies are increasingly thinking about incorporating physical risk analysis, protecting biodiversity, and ensuring that the transition is implemented in a socially responsible way, even as this increases the complexity of the task.

The extent of the transition challenge has also been compounded by one of the toughest macro-economic environments seen since the 2008 global financial crisis. The invasion of Ukraine by Russia, gas and energy price inflation, and elevated supply chain disruption has put the need to improve current energy systems into sharp focus. The global shift to investment in the energy transition has taken on the additional imperative of energy security which should add to the longer-term tailwind for this area; however, in the shorter term, this will compete with greater investment in fossil fuels to ease dependence on Russia.

Despite the challenges, there have been some positive shifts in the landscape over the year. The US Inflation Reduction Act is a game-changing piece of legislation which will encourage investment in green infrastructure, housing and technology. The private sector is steadily increasing allocations to sustainable investments with private equity and venture capital firms taking greater interest in the growing opportunities. Capital requirement estimates for the transition are in the range of $100 trillion globally[3], and our partners are increasingly exploring opportunities that may arise from this secular trend.

Progress against our commitments

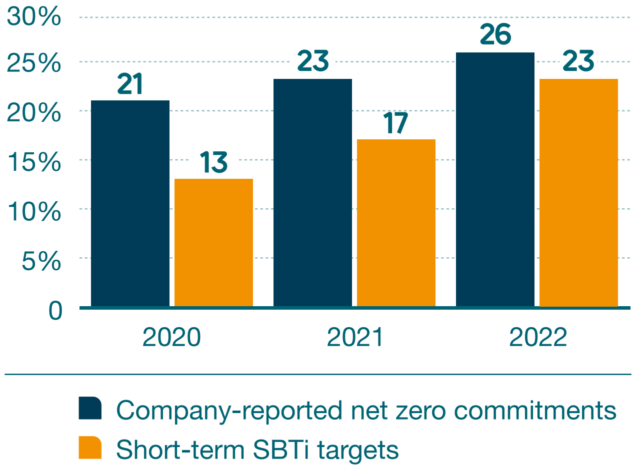
The responsibility of asset owners to encourage the transition to a lower carbon economy has not changed. Given the complications of measuring uniform emissions data across various asset classes, we continue to focus on monitoring and reporting the percentage of our portfolio with a net zero commitment. We also recognise that there is a wide range of standards underpinning these commitments, and therefore strongly encourage our partners to adopt science-based targets.

The Science-Based Targets Initiative (SBTi) currently remains our preferred verification initiative and the organisation is expanding with demand. The SBTi includes Scope 3 emissions where they are over 40% of total emissions and the SBTi encourages that these be covered by engagement activities when they are less material. Short-term targets are the focus of the SBTi, given that greenhouse gas emissions must halve by 2030 to limit warming to 1.5 degrees[4]. Those setting targets are required to reduce emissions in line with a Paris-aligned 1.5 degree pathway with a target deadline of 2030 at the latest. Companies are also encouraged to submit net zero targets alongside these short-term targets.

Reflecting the importance of these short-term targets, the percentage of our portfolio committing to these has risen from 17% to 23%[5]. The percentage of the portfolio with a science-based net zero commitment increased from 10% to 13%, and the percentage of the portfolio with a company reported net zero commitment increased from 23% to 26%. These increases are partly driven by greater target adoption, but also due to improvements in data allowing us to include more indirect public equities in our analysis[6]. These rises would have been higher had the proportion of the portfolio in public equities not fallen this year, due to their disproportionate decline in value versus the rest of the portfolio and active net sales. This asset class represents most of our assets with net zero commitments, reflecting the wider world in which publicly traded companies have been more likely to make net zero commitments than private companies. This emphasises the importance of encouraging our managers in other asset classes to make net zero commitments, which has been the focus of our engagement conversations. While our data thus far shows a promising trend, we should not expect this to continue in a straight line, as it will vary depending on the composition of our public equities basket and its relative value within the whole portfolio.

We record the emissions footprint of our public equity holdings due to accurate data being more readily available than for private assets. The carbon footprint associated with our portfolio has fallen 35% over the past year from 424,000 tCO2e in 2021 to 276,000 tCO2e in 2022 (scopes 1 and 2)[8]. This year-on-year decline is largely due to our exits from holdings in BP and Shell, which we sold as part of a strategy of reducing exposure to cyclical stocks. Of course, our exit from these holdings has not reduced overall carbon emissions, simply those that are linked to our own portfolio. This is a key reason we believe that encouraging action on decarbonisation is the most effective way for asset owners to exert positive real-world climate influence. Companies in the rest of the portfolio have also been successfully reducing their emissions.

% of gross assets with climate targets over time[5,7,9]



Action across our portfolio

Engagement is the core focus of our strategy. High quality leadership and a long-term strategic perspective is a key precondition for assets that are in our portfolio. The impact of climate change is already considered seriously by management teams at many of our holdings, particularly those at public companies, where adoption of a science-based net zero target is increasingly becoming a widespread expectation. In our direct public equity holdings, the number of assets with a company reported target increased from 25 to 26, those with a short-term SBT from 19 to 26, and those with a SBTi net zero target from 11 to 14. Disclosure has also improved for our public equities, with the percentage of public equities reporting emissions close to 100% by value. The total percentage of all our assets reporting emissions has dropped due to the fall in equities as outlined above. Our challenge now in this asset class is to ensure that management teams and their Boards are focused on translating this commitment into their strategic plans, and that capital expenditure and the incentives underpinning performance reflect this.

Outside of public markets, there is increasing recognition that Buyouts managers' longer investment horizons and advantageous governance structures mean they can play a significant role in catalysing change, but there is much work to be done here. We saw the private equity industry take a significant step by establishing the ESG Data Convergence Project, a coalition of private equity partners aiming to enable industry-wide convergence on ESG metric collection and data submission. Metrics include GHG emissions and renewable energy use. Wellcome has been actively involved in supporting this group and is a member of the steering committee, which enabled us to provide input on the metrics included. Two of our partners are founding members, and we have actively encouraged our other managers to join the initiative.

We have written to our Buyout partners to share examples of best practice we see from across our portfolio and set out our view of gold standard net zero target setting in Private Equity. We are encouraging them to adopt a 1.5 degree aligned near-term science-based target, which includes committing to have all portfolio companies covered by an SBT by 2030 or sooner. Positively, some of our Buyouts managers already have net zero targets, which include commitments to require this from portfolio companies.

In property, this year we have determined a baseline carbon footprint (scopes 1-3) for our direct property holdings. This is primarily based on estimated rather than actual data because our access to the data of our occupiers is limited. As expected, the majority (+90%) of emissions are indirect or scope 3 relating to the electricity consumption and heating of buildings by occupiers.

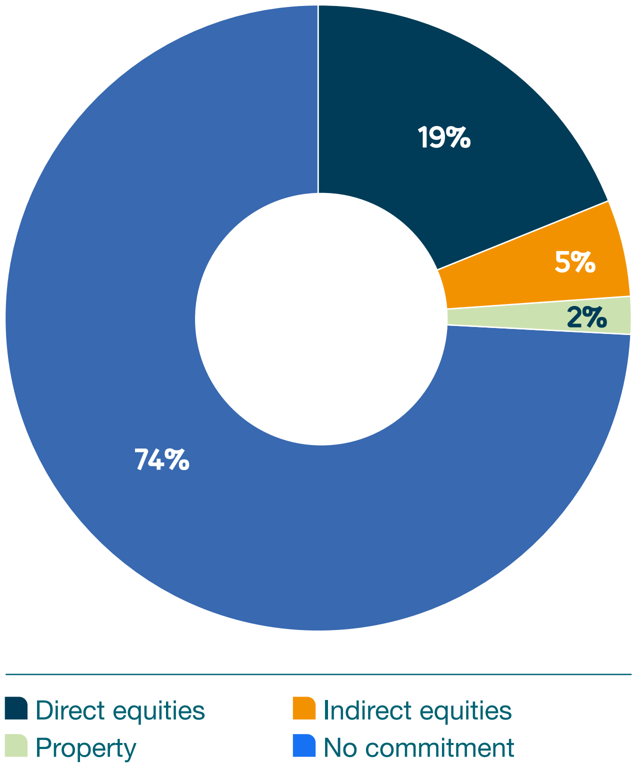
In the coming year, we will undertake pilot studies on the practical implications of decarbonising our direct property holdings so that we have sufficient information to then set a net zero target and guide us as to a realistic pace to decarbonise our direct (scope 1 & 2) and indirect (scope 3) emissions. We expect an indirect emissions target to incorporate emissions that we can sufficiently control or influence, though we will, in time, engage with stakeholders to seek change for emissions beyond our defined target. Our operating business Urban&Civic has established a net zero carbon target and associated roadmap. Urban&Civic's target covers both its operational and development activities.

In venture capital, the number of climate- and sustainability-related investments in our portfolio is growing. Climate enabling solutions (such as carbon emissions data tracking and accounting), energy efficiency, and waste management have been the key focus areas so far. Venture managers have so far avoided setting net zero targets due to the lack of majority control they have over their portfolio companies and the asset-light nature of most venture business models.

We will only achieve our net zero ambitions through close partnership with those who manage our assets and by working collaboratively with our asset owner peers. Alongside our IIGCC membership, Wellcome has also joined the Wellington Climate Leadership Coalition, a collaboration between Wellington Management, Woodwell Climate Research Centre, MIT Joint Program on the Science and Policy of Global Change and a select group of global asset owners who are committed to bridging the gap between climate science and finance. This should help improve our understanding of physical and transition risks across the portfolio, and steps that can be taken to address these.

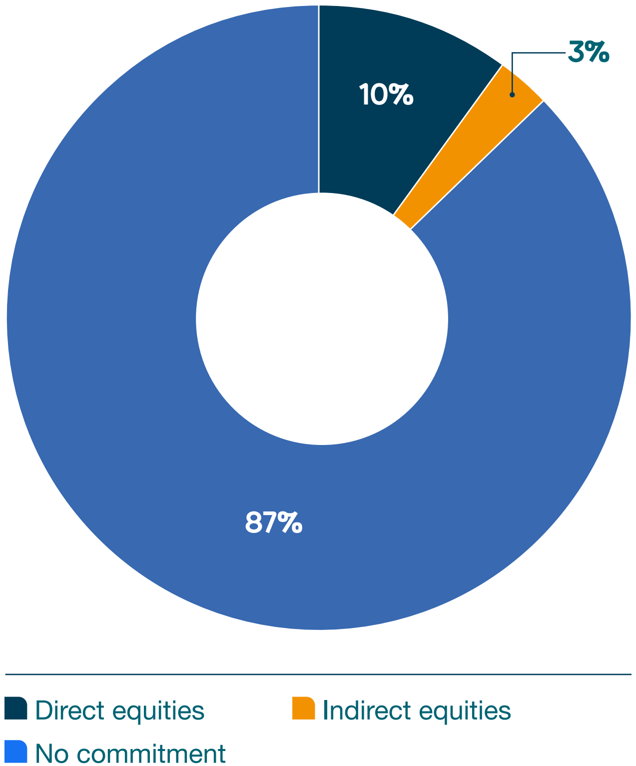
Company-reported net zero commitments[7,9]

% gross assets (by value)



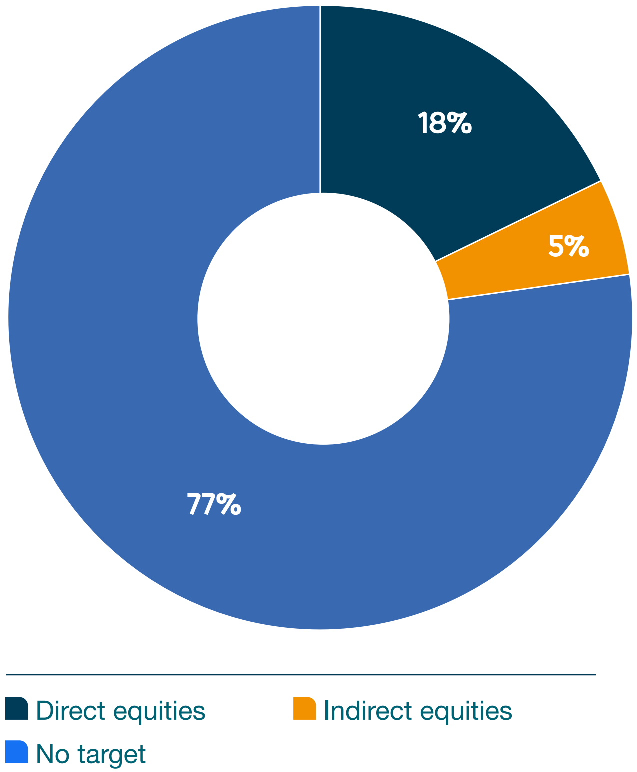
SBTi net zero commitments[7,9]

% gross assets (by value)

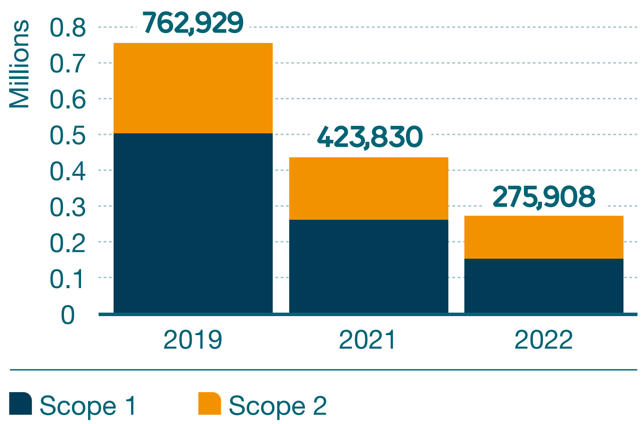


Short-term SBTi targets[7,9]

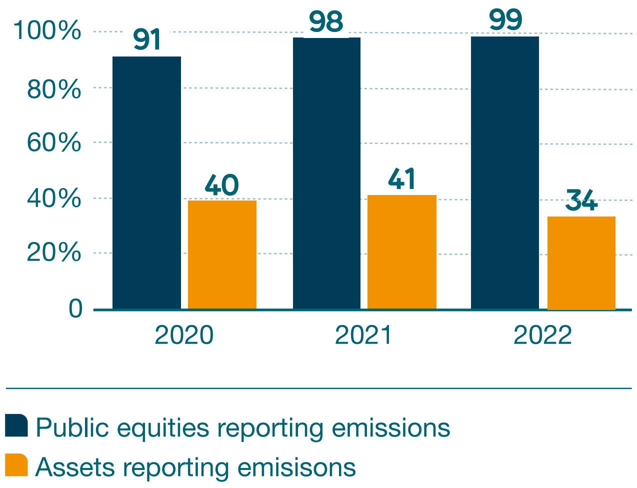
% gross assets (by value)



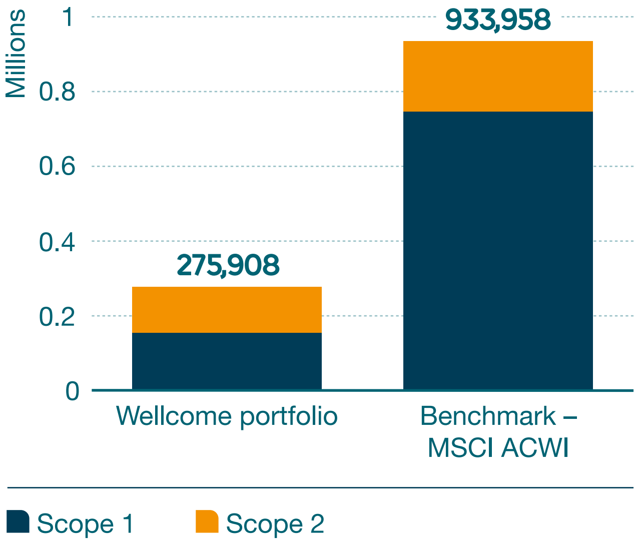
Public Equities Emissions – scope 1 and 2 (tCO2e)[8,10]



% of gross assets with emissions data available (by value)[8,10]



Public equities carbon footprint (tCO2e) As at 30 September 2022[8,10,11]



Net zero endnotes

1. https://zerotracker.net/insights/pr-net-zero-stocktake-2022
2. https://www.un.org/en/climatechange/net-zero-coalition
3. https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf
4. https://unfccc.int/news/the-evidence-is-clear-the-time-for-action-is-now-we-can-halve-emissions-by-2030
5. Percentages reported are a % of Gross Asset Value. For science-based targets, we include those with targets set and verified by the SBTi and those that have made a commitment to the SBTi to set a science-based target.
6. In previous years a materiality cut off had been employed due to a lack of useable data, excluding holdings of less than $30m in value. With disclosure improving, we have been able to include all holdings in this year's analysis.
7. For all net zero commitments and near-term SBTs we look at all our direct equity holdings and indirect equity holdings.
8. All portfolio emissions data provided by Trucost as at 30 September 2022. Portfolio emissions data for 2019 and 2021 was provided by Trucost as at 31 December and 30 September respectively.
9. 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.
10. 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).
11. While we do not rely on benchmarking data to dictate investment decisions, Trucost's reports use a selected benchmark as a measure of relativity for carbon footprints. In 2021, the benchmark rose as we changed it from the S&P Global LardMidCap index used in 2019 to the MSCI ACWI. From 2021 onwards, we have and will continue to use MSCI ACWI

Financial Review

Overview
for the year ended 30 September 2022

	2022 £mn	2021 £mn	Change £mn
Investment activity			
Income	366	286	80
Expenditure	(151)	(186)	35
Investment (losses)/gains	(1,038)	9,253	(10,291)
	(823)	**9,353**	**(10,176)**
Charitable activity			
Income	136	125	11
Charitable expenditure before discounting and foreign exchange	(1,366)	(1,233)	(133)
Discounting of grant liability	131	48	83
Foreign exchange revaluation of grant liability	(103)	5	(108)
Expenditure on charitable activities	(1,338)	(1,179)	(158)
	(1,202)	**(1,055)**	**(147)**
Net (expenditure)/income before tax	**(2,025)**	**8,297**	**(10,323)**
Taxation	50	(10)	61
Gains on defined benefit pension schemes	315	152	163
Net movement in funds	**(1,660)**	**8,440**	**(10,100)**

Total Funds
at 30 September 2022

	2022 £mn	2021 £mn	Change £mn
Fixed assets	402	413	(11)
Investment assets	40,343	41,748	(1,405)
Net current liabilities	(1,398)	(1,051)	(347)
Long term liabilities	(4,746)	(4,848)	102
Total funds	**34,601**	**36,261**	**(1,660)**

Charitable expenditure is an alternative performance measure. Wellcome's alternative performance measures and key performance indicators are detailed on page 113.

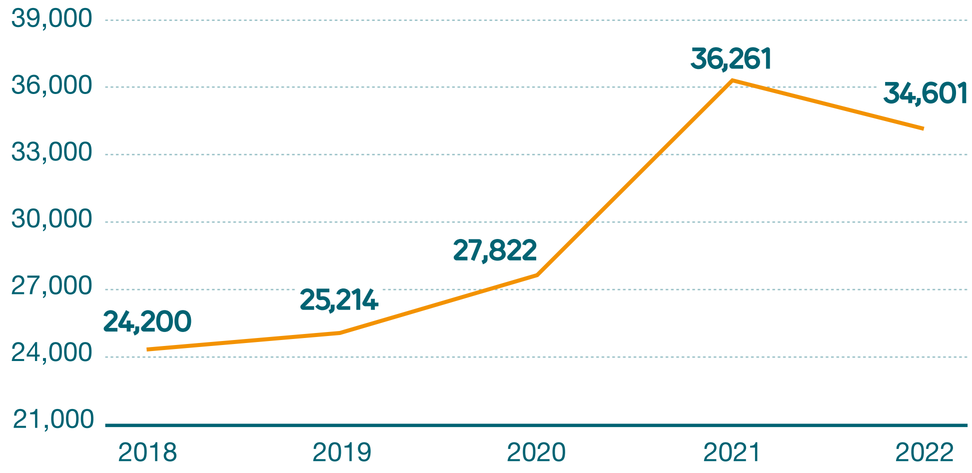
Reconciliation of Overview to Statement of Financial Activities

	2022 £mn	2021 £mn
Management fees and other investment costs	75	110
Interest payable on bond liabilities	76	76
Investment expenditure	**151**	186
Grants receivable	29	24
Other charitable income	108	100
Charitable income	**137**	125

Reconciliation of Net Funds to Balance Sheet

	2022 £mn	2021 £mn
Quoted investments	13,551	17,292
Unquoted investments	21,102	18,814
Investment properties	1,671	1,566
Derivative financial instruments	-	31
Investment cash and certificates of deposit	3,378	3,820
Other investment assets	580	196
Programme related investments	**61**	28
Investment assets	**40,343**	41,748
Creditors falling due after one year	(4,721)	(4,443)
Provision for liabilities and charges	(106)	(181)
Defined benefit pension schemes' surpluses/(deficits)	81	(225)
Long term liabilities	**(4,746)**	(4,849)

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



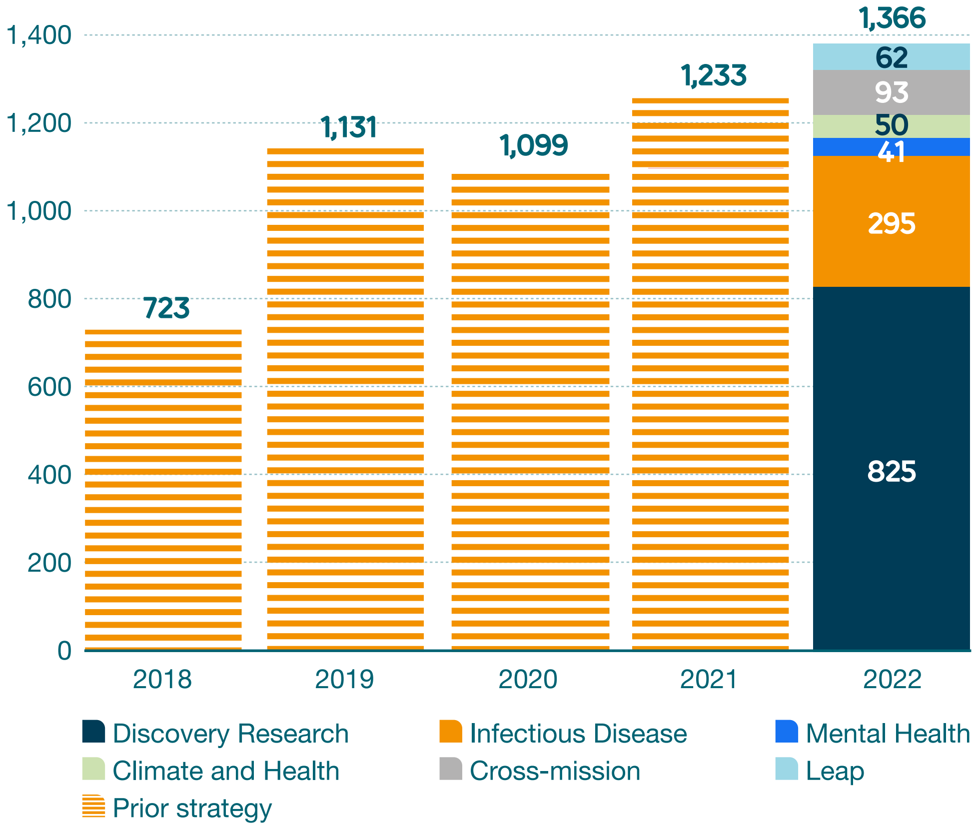
Investment Activity

Our investment activity generated a net loss of £823 million (2021 net gain: £9,353 million).

Our portfolio returns this year are 1.7% in sterling (2021: 34.5%). Over the past ten years, the portfolio has delivered a real return after inflation of 251% in sterling (2021: 293%). A full commentary is provided on pages 27-41.

The total funds of the Wellcome Trust Group decreased by £1,659 million to £34,601 million (2021: £36,261 million).

Total Charitable Expenditure (£mn)



An overview of Charitable Activities is on pages 11-26.

Charitable Activity

Income from grants, programme-related investment activity and Wellcome Collection was £136 million (2021: £125 million), including grant and contract income received by the Wellcome Sanger Institute.

Charitable expenditure of £1,366 million (2021: £1,233 million) is higher than the previous year; this principally reflects timing of grant awards and renewals (which typically cover funding for five years).

Supporting our new strategy Wellcome plans to spend £16 billion on charitable activities over the next ten years.

Discovery Research expenditure includes:

- Francis Crick Institute, another 7 years of funding, £137 million
- Awards relating to legacy schemes, £124 million
- Oxford University Clinical Research Unit, Vietnam, another 5 years of funding, £49 million
- Wellcome Sanger Institute, our charitable subsidiary, £92 million
- First round of awards for new curiosity-driven research funding schemes:
  - Discovery Awards, £106 million
  - Career Development Awards, £102 million
  - Early-Career Awards, £23 million

Infectious Disease expenditure includes:

- CEPI, another five years of funding, £109 million ($150 million)
- Funding for affordable interventions including:
  - CARB-X/NEXT-X, £29 million
  - Health Systems & Environment, £20 million
  - Global Health Innovations Technology Fund, £17 million
  - Epidemiology & Epidemics, £17 million (including £10 million for the World Bank's Pandemic Fund)
  - Covid-19, £15 million
  - Camo-Net, £11 million

Mental Health expenditure includes:

- Funding for early interventions, £21 million (including Cognition Funding Call, £17 million)
- Activities to increase quantity and quality of scientific findings on development and resolution of anxiety, depression and psychosis, £13 million

Climate and Health expenditure includes:

- Climate Impacts activities to capture quantitative data on the effects of climate change on health, £33 million (including £16 million Climate Sensitive Infectious Disease Modelling Tools)
- Field Building activities to create a global climate and health community with the skills and tools necessary to make a significant impact, £12 million

Cross-mission expenditure includes:

- Data for Science and Health, Research Environment, Translation and Portfolio Integration activities that advance the objectives of the strategy, £22 million
- Wellcome Collection, £20 million
- Wellcome's Germany Office branch, £10 million

This is the first year that Wellcome is reporting charitable activities against the new strategy, therefore prior year comparators are not presented.

Financial Planning

The Financial Planning process undertaken during the year set out an overall planning assumption of £16 billion of charitable activity over 10 years. A longer-term planning horizon will enable Wellcome to underpin its longer-term activities and encourage flexibility in the planning process for allocations towards time bound activities. The process considered the minimum level for the net investment portfolio required to fund long-term ongoing charitable activities (refer to 'Reserves policy')

The Year 1 Budget of the 10 Year Plan was approved by the Board in September 2022, setting out an ambitious programme of work to implement our new funding strategy.

The 10 Year Plan includes flexibility for Wellcome to allocate funding to meet the goals in our Discovery Research and Health Challenge programmes as opportunities arise.

The process of identifying opportunities and re-allocating funds within the 10 year plan will be an ongoing process.

'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.

Reserves policy

The reserve balance, equivalent to Wellcome's consolidated net assets, at 30 September 2022 is £34,601 million (2021: £36,261 million). Our funding methodology defines a minimum level for the net investment portfolio of £25 billion (in real terms as at April 2022) required to support the £16 billion planning assumption, equivalent to £25.8 billion as at 30 September 2022. This level is subject to annual review by the Board of Governors and the planning methodology is discussed under 'Financial Planning'.

The reserves are almost all unrestricted but certain awards made by other funders to the Wellcome Sanger Institute are subject to specific conditions and are therefore restricted in their use. These amounted to £17.5 million at the end of 2022 (2021: £19.8 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 89), 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 or vaping products.

We take stewardship of our assets very seriously and consider many factors before we invest.
As well as a sound and sustainable business model, we must be confident that the companies and funds we invest in take their environmental, social and governance responsibilities seriously. Our plan to put our investment portfolio on a path to net zero by 2050 at the latest is discussed on page 42.

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 which was closed to further accrual during the year (refer to Remuneration Report, page 82).

The Group's two defined benefit pension schemes (the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan) were in surplus of £81 million as at 30 September 2022 (2021: £225 million deficit). The plans have moved into surplus 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.

More detail on the pension schemes is given in note 11(e) Retirement benefits on page 141.

Going concern and viability

The Board has reviewed the going concern assessment and concluded that Wellcome and its subsidiaries have adequate resources to continue to operate and to meet any commitments as they fall due for at least 12 months from the date of approval of this report.

The Board has reviewed the viability assessment of Wellcome and its subsidiaries over the five years to September 2027, 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 75), 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 forecast period, the Board conducted a review of Wellcome's funding approach, approving a planning assumption of £16 billion of charitable activity spend over 10 years. The Board previously 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.

In addition to the investment return scenario planning, the Board approved the principle of supporting the £16 billion of charitable activity by spending down capital, if required, to the minimum endowment level (equivalent to £25.8 billion as at 30 September 2022) in all but extreme market conditions.

We have also considered reverse stress 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 £6.7 billion comprising third party liabilities, provisions, pension deficits and commitments, combined with non-contractual but expected grant commitments of £2.7 billion. The net investment portfolio exceeds these liabilities by £28.4 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 £12 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.

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).

Subsidiaries support Wellcome either through delivering against charitable objectives or as investment entities. Such subsidiaries include Genome Research Limited, which encompasses the activities of the Wellcome Sanger Institute and the wider Wellcome Genome Campus, and Wellcome Leap, a US-based non-profit organisation founded by Wellcome in 2020 to accelerate breakthroughs for global health.

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.

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 Executive Leadership Team 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 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.

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 oversees 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 our 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. The Deputy Chair supports the Chair and also provides an alternative contact point. Individual governors also act as Board champions for speak-up and stakeholder engagement.

Page 8: What we do

Page 54: Key activities of the Board

Page 61: Our section 172(1) statement

Pages 78-81: Key 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 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, system of internal controls, risk management, external audit, oversight of Speak Up (see page 60).	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 Leadership Team

The Board delegates the day-to-day management of Wellcome to the Director. The Director delegates certain matters to the Executive Leadership Team (ELT) and maintains challenge and oversight through ELT meetings, and chairs the Equity, Diversity and Inclusion Committee.

The ELT comprises ten senior individuals from Strategy, Research Programmes, Corporate Affairs, and enabling functions such as Operations and People. A new ELT member focusing on EDI will be appointed. Each ELT member has designated responsibilities and the Delegated Authority Policy sets out the individual's levels for financial decision-making. Two Employee Directors were appointed to attend and participate in ELT meetings. The Managing Partner & Chief Investment Officer is not part of ELT, but reports to the Director. The Investment CEO retired from his executive role at Wellcome on 30 September 2022 and is now Emeritus Partner, Investments and will continue to advise Wellcome in a number of areas.

Pages 5-6: Report from Director

Pages 27-41: Review of Investment Activities

Management meetings

Management meetings assist the members of ELT in carrying out their responsibilities delegated to them by the Director.

This includes the Operations Committee chaired by the Chief Operations Officer; Funding Policy Committee chaired by the Director of Research Funding; the Planning and Strategy Committee and Large-Scale Funding Advisory Group chaired by the Director of Research Programmes; the Valuation Group chaired by the Emeritus Partner, Investments; and the Investment Decision Meeting chaired by the Managing Partner & Chief Investment Officer. These management meetings are advisory to those with delegated authority.

Overview of the key activities of the Board in 2021/22

The Board met seven times during the year, with some multi-day meetings, including a strategy day and site visit to the Wellcome Genome Campus. The key priorities included development of a ten-year corporate plan to deliver our strategy, a new vision and strategy for Wellcome Collection, staff wellbeing and our comitment to anti-racism.

Strategy and finance	Development of a ten-year corporate plan with a planning assumption approval of spending £16 billion over the next 10 years (Apr 2022)	Wellcome Collection – approval of new vision and strategy (Jun 2022)	Climate and health strategy approved including a new set of early investments in the Climate and Health Programme up to £75 million (Oct 2021)
Risk management and internal controls	Emerging risks – annual review and horizon scanning (Nov 2021)	Cyber security – Wellcome's approach to cyber security, risks, and actions (Sep 2022)	Risk register – review of the corporate risk register (Apr 2022)
Investment and performance	Wellcome Genome Campus – approval of key principles and creation of sub-committee of the Board Investment Committee to provide oversight and advice (Nov 2021)	Investment policy – addition of vaping to tobacco as a sector in which Wellcome will not invest directly, and changes to asset class ranges (Nov 2021 and Apr 2022)	KPIs and performance dashboard – creation of a new way of enabling board monitoring and challenge of Wellcome's performance against delivery of strategy (Jun 2022)
Strategic funding and partnerships	Wellcome Leap extension of funding with additional commitment for about five new programs over the next two years focusing on advanced research projects for global health challenges (Oct 2021)	Wellcome Sanger Institute (Genome Research Limited) – the Board completed a quinquennial review, including of the trajectory and quality of Sanger science, covering around £3 billion of Wellcome investment over 30 years in GRL's mission to maximise societal knowledge obtained from genome sequences. The Board approved the funding envelope for the next quinquennium (2021-2026) (Nov 2021)	Other key funding decisions: • **Francis Crick Institute** – an important part of the Discovery Research portfolio, quinquennial review and approval of the award (Feb 2022) • **CEPI** – approval of award to contribute to the development of vaccines against emerging infectious diseases (Nov 2021)
Stakeholder engagement and culture	New strategic partnerships strategy (Feb 2022)	Anti-racism – external evaluation report and setting of milestones for 2022/23 (Sep 2022)	Communications, campaigns, and engagement – One Wellcome approach to supporting the strategy (Jun and Sep 2022)
Governance and social responsibility	• Appointment of new Deputy Chair (Jan 2022) and search for new CEO • Appointment of a new Governor (Nov 2021)	Governance review – approval of actions to take forward the external consultant's recommendations to improve board effectiveness (Jun and Sep 2022)	Conflicts of interest – new Board and staff management of interests policies approved (Feb 2022)

Composition and succession

The Nominations and Governance Committee (NGC) leads on board and committee composition and succession planning and ensuring that we have the right skills, diversity, and experience on our board to deliver our strategy. The Board ensures that the composition of the NGC is diverse itself.

Members of the Board of Governors are experts in the fields of science, finance, business and not-for-profit leadership. The Board is wholly composed of non-executive directors and a majority are independent, including the Chair.

There is a board conflicts of interest policy and any potential conflicts are declared to the Board for it to determine how to manage. A register of Governors' interests is shared with the Board on a quarterly basis. Our Deputy Chair Fiona Powrie and Governor Ijeoma Uchegbu have other roles that mean they do not participate in any discussions or decisions relating to the University of Oxford or University College London respectively.

The Board approved (on recommendation from the NGC) the appointment of Fiona Powrie as Deputy Chair as of 1 January 2022 and she also joined the board of Wellcome Leap, Inc effective 1 August 2022.

We thank Mike Ferguson, who stepped down as a Governor and Deputy Chair on 31 December 2021, for his significant contributions to the organisation during his period of tenure.
Mike Ferguson resigned from Wellcome Leap, Inc effective 31 August 2022.

Governors are appointed for multi-year terms for a maximum of nine years. The Board will continue to focus on diversity and inclusion when making further appointments to the Board, its committees and ELT.

A review of the Board's skills, experience and diversity was done in 2022 and this was used to further develop the Board succession plan. Wellcome selects new Governors (including the Chair) through an open recruitment process that includes international recruitment firms as well as online open advertising. To increase diversity of the candidate pool, we also advertise in specialist publications.

The Board also appoints external committee members to its Audit and Risk Committee and Investment Committee to provide independent expertise on financial, risk, and investment matters. These external members are not Governors, but they do count towards the quorum for decision-making in the committees.

A summary of committee membership changes are included in the committee reports.

Board training and development

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.

Governors receive regular training and development and review and input into the Board development plan. The Board Effectiveness Review and annual governor appraisals also sought suggestions for development and training topics. The board development programme covers deep dives on regular business areas as well as particular development needs. Recent topics included cyber security; anti-racism; safeguarding; anti-financial crime, data protection, and conflicts of interest.

Board effectiveness

Board objectives and appraisals

The Board agrees annual objectives for itself that are aligned with the Wellcome strategy and are used to inform management's objectives. The Board also agreed annual objectives for the Chair. These objectives are subsequently used as a measure of effectiveness for the Chair and Governor annual appraisals. In 2021/22, the Board objectives were:

1. Oversight of the timely and effective implementation of our new strategy and the development of 'One Wellcome' culture with joined-up decision making and action.
2. Successfully complete and then commence implementation of the independent governance and Board effectiveness review.
3. Strengthen our approaches to diversity, equality, inclusion and staff wellbeing.
4. Continue to develop Wellcome's stakeholder engagement programme, and to seek out and consider stakeholder views when making Board decisions.
5. Ensure succession planning occurs in a timely way and accesses the highest quality candidates.

Individual performance reviews of Governors were carried out by the Chair (and the Deputy Chair facilitated the review of the Chair with input from all Governors and the Director) in September 2022. Key themes and outcomes, including development areas, were reported to the Board.

Board effectiveness reviews

In line with best practice, the Board regularly reviews its effectiveness using an external independent provider to carry out the review, aiming to do this approximately every three years. An internal review was done in 2021 and the last external review was done in 2017, with the 2020 external review postponed until the new Chair had settled into the role. In early 2022, Independent Audit (an independent external consultancy) carried out a governance and board effectiveness review. 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, the former Deputy Chair, continued to support the independent review after he stepped down from the Board.

The external consultant's June 2022 report found that Wellcome had done a lot of work to strengthen its governance over the past few years and the Board exhibited many of the characteristics of an effective board. A summary of strengths and development areas is included in the table (right). The Board agreed to take forward the majority of the recommendations from the report and put in place an action plan to address them in the short and medium term between 2022 and 2024, with the majority to be completed in 2023.

A number of the actions from the 2021 internal board effectiveness review were carried forward to be addressed alongside the external review actions, including the need to undertake a skills audit and further develop our succession planning.

Independent external governance and board effectiveness report findings (June 2022)

Strengths	Development areas
• An unusually strong board composition combining independent challenge with deep expertise, diversity of experience and thinking, and avoidance of pigeon-holing "scientists" and "generalists". • Good cross-board participation both in meetings and outside, enhanced by a positive working relationship with the executive team. • Strong leadership from the current Chair as well as from the Director, bringing focus to governance and clarity in strategic direction. • Evident respect generated by the Governors through the way they work with management, their contributions and their very visible commitment to success. • A strong sense of awareness among management and the Board of the need to surface issues to be tackled and, in turn, working together to strengthen the system of internal controls. • Extensive work to get in place professionalised governance. • Board committees that successfully incorporate external experts and which are going beyond standard oversight by acting as agents of change and bringing their experience to bear in guiding management. • A strong funding base generated by exceptional investment performance supported by effective implementation of the licence to operate.	• Adapting the Board's leadership role in response to Wellcome's greater profile, and to the governance consequences of the changing societal context it is working within. • Having a clear picture of the quality of controls and assurance so the Board can concentrate more on the strategic drivers and impact of Wellcome's activity. • Including in the governance framework well-defined executive responsibilities and accountabilities, including how outcomes and performance are measured. • The Board playing an active leadership role in helping ensure that management efforts to change behaviours are not waylaid by daily pressures. • The Board should further support management in a challenging environment and share success stories with the organisation to remind itself of the value of its work.

Board and Board Committee attendance (Governors)

Name	Role	**Board** Attendance/ No. of Meetings: 7	**Audit and Risk Committee** Attendance/ No. of Meetings: 5	**Nominations and Governance Committee** Attendance/ No. of Meetings: 3	**Remuneration Committee** Attendance/ No. of Meetings:4	**Investment Committee** Attendance/ No. of Meetings: 4
Julia Gillard	Chair, Board of Governors	7/7	-	3/3	4/4	3/4
Fiona Powrie[1]	Deputy Chair	7/7	3/3	2/2	2/2	-
Mike Ferguson[2]	Deputy Chair	2/2	-	1/1	1/1	1/1
Ijeoma Uchegbu[3]	Governor	6/6	1/2	-	-	-
Amelia Fawcett	Governor	7/7	5/5	-	4/4	-
Cilla Snowball	Governor	7/7	-	3/3	-	-
Richard Gillingwater	Governor	7/7	-	-	4/4	3/4
Elhadj As Sy	Governor	6/7	-	3/3	-	-
Gabriel Leung[4]	Governor	7/7	-	-	-	3/3
Arup Chakraborty[4]	Governor	7/7	2/2	-	-	-

Notes:
1. Fiona Powrie was appointed as Deputy Chair to the Board on 1 January 2022
2. Mike Ferguson's term as Governor and Deputy Chair of the Board ended on 31 December 2021
3. Ijeoma Uchegbu was appointed to the Board on 15 November 2021
4. New committee member

Board Committee Attendance (other members)

Name	Role	Audit and Risk Committee Attendance/ No. of Meetings: 5	Investment Committee Attendance/ No. of Meetings: 4
Adèle Anderson[5]	Audit & Risk Member	4/4	-
Chris Jones[6]	Audit & Risk Member	5/5	-
Nick Moakes	Chief Investment Officer	-	4/4
Peter Pereira Gray[7]	Investment CEO	-	4/4
Tracey Blackwell[8]	Investment Committee Member	-	3/4
Stefan Dunatov[8]	Investment Committee Member	-	4/4
Martin Halusa[8]	Investment Committee Member	-	4/4
Cressida Hogg[8]	Investment Committee Member	-	4/4
Girish Reddy[8]	Investment Committee Member	-	4/4
Paul Schreier	Investment Committee Member	-	4/4
Jeremy Farrar	Investment Committee Member	-	4/4

Notes:

5. Adèle Anderson's term as a member of the Audit and Risk Committee ended on 31 August 2021
6. External appointment to the Audit and Risk Committee
7. Peter Pereira Gray's term as a member of the Investments Committee ended on 31 September 2022
8. 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 90-93, 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 auditor

So far as the Trustee is aware, there is no relevant audit information of which Wellcome's auditor is 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 auditor is aware of that information.

Grant-making procedures and policies

Wellcome's grant-making procedures and policies support its status as a public benefit entity.

A core mechanism to deliver our strategy is through grants. Most grants are funded through established funding schemes that are aligned with our strategy and which have specific open criteria. The majority of our response-mode awards are made through higher education organisations in the UK, Ireland and lower- and middle-income countries. We also award some bespoke grants to achieve specific strategic objectives where country and organisation eligibility may be broader.

The Board of Governors has delegated approval of grant awards under our strategy of up to £50 million to the Director (CEO), but it has retained, as a matter reserved to the Board, approval of awards that are above a certain monetary amount or, for example, have significant reputational risk.

All grant applications undergo due diligence. Proportionate due diligence is carried out on awards and recipient organisations commensurate with the level of risk and amount to be awarded, covering legal, operational and financial risks. We ensure that the resources requested are appropriate for the proposed activities. Awards are made following the advice of expert external 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 strategy 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. We also operate a conflicts of interest policy covering applicants, expert external peer reviewers and staff including governors.

Sanctions may be taken against grantees or organisations if they are in breach of our terms and conditions: these range from a letter clarifying our expectations to withholding payments, terminating active grants or barring applications for funding to Wellcome for a specified time-period.

Between October 2021 and September 2022, we imposed sanctions against four individuals where allegations were upheld, two of which related to bullying and harassment and two to research misconduct. The sanctions included barring respondents from applying to Wellcome for a period of time (informed by the period of time required for training or the length of an employer's warning), and requesting the submission of reports at specified timepoints for assurance and risk management purposes. We have not imposed any sanctions against organisations in relation to either of these policies between the dates stated. 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 continued to focus on enhancing our risk and integrity culture. This has included investing in our ethics, governance and compliance function and the development of a framework tackling key legal, regulatory and ethical risks.

We consider that enhancing integrity requires us influencing our culture and behaviours in moments that matter, rather than just a 'tick-box' compliance exercise. This year marks our second year of running a series of informal lunchtime talks with external experts. These sessions have proved popular with staff and allow effective engagement on important ethics and compliance issues. Not only do we direct staff to our policies and training, but we are also able to spark enriching conversations and make compliance topics more relatable. Recently we have explored the impact of fraud and corruption on health systems with Transparency International, as well as safeguarding with the Funder Safeguarding Collaborative. We have refreshed our policy and introduced a new system for managing conflicts of interests. We also created a suite of user-focused mandatory digital learning modules this year on data protection, managing conflicts of interest, and safeguarding. The learning modules have received very positive staff feedback.

We have continued to develop, and deliver on, our safeguarding workstream this year by embedding a framework of standards and a policy environment that are supported by digital learning, communications and practical tools to support the identification of risk and promote safe and ethical work. To ensure that our efforts to protect those who come into contact with Wellcome's work are effective, the Board of Governors will appoint a Board Safeguarding Champion who will work closely with our workstream lead to ensure oversight with the highest levels of independence and authority.

We continue to develop partnerships with expert external partner 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). We are also engaging with our subsidiaries regarding compliance standards generally with a view to implementing an effective system for managing good practice standards and requirements.

Our staff Code of Conduct and Speak Up arrangements are maturing and show real indicators of success. Through our partnership with Protect we are 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.

Wellcome Collection Safeguarding App

As part of our work to ensure that we have effective and well-understood procedures for safeguarding and protecting people who come into contact with us from harm, the past year has seen the design and introduction of a safeguarding app within Wellcome Collection, which has been made available to all staff devices.

For those supporting our visitors, the app contains the key information needed to identify and respond to safeguarding concerns, as well as a being a tool through which updates and practice developments can be shared quickly and effectively. This will help us to ensure that safeguarding support is available at the point at which it is needed, enabling us to continue to do the right thing, in the right way and at the right time.

Stakeholder engagement and s172(1) statement

Stakeholder engagement supports Wellcome's strategic ambitions and informs the decisions of our Board.

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. Cilla Snowball is the designated Engagement Governor, and the specific responsibilities of this role were approved by the Board in September 2022. 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. We want the broadest possible range of people to contribute to, and benefit from, science's potential to change the world. And to succeed in our mission supporting science to solve the urgent health challenges facing everyone, we need to build and maintain relationships with many different groups of stakeholders.

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

- working together to support discovery research and find solutions to the world's urgent health challenges
- generating insights to inform Wellcome's direction and decisions
- providing evidence and support to decision makers and leaders around the world on the health challenges identified in our strategy
- continuously learning from feedback on how we are doing, from practical implementation to Board governance

Individual relationships with stakeholders and strategic partnerships are supported by programmes of events, digital platforms, political outreach and communications campaigns, all of which enable Wellcome to maximise our contact with stakeholders and the impact we can have by working with others. As the Covid-19 situation develops and with public health restrictions easing in many places, we have begun to reintroduce in-person engagement alongside the positive benefits of reach and inclusion that come from virtual approaches such as webinars.

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.

Wellcome's Board of Governors 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.

Our key stakeholders

People, communities and organisations with an interest and concern in Wellcome's purpose, strategy, operations and actions

Our key stakeholders and how we engage	
Employees Our staff want a safe, secure and inclusive working environment, where they know their work is aligned in supporting Wellcome's mission. We want staff to feel they can be themselves at Wellcome and help make a positive difference in the world.	• The Board is increasingly visible and accessible to staff, for example through Board buddies, where a Governor is partnered with each Wellcome staff network, and interaction with our staff forum, Wellcome Exchange. In June 2022, Governors joined an all-staff event to celebrate recent activities and achievements. • Work with the ELT, including our two Employee Directors, ensures that staff performance objectives and assessment at a collective and individual level are aligned and enable every staff member to understand their contribution to Wellcome's mission. The Board receives an update on Wellcome's working culture at every meeting, and uses an equity, diversity and inclusion (EDI) tracker to monitor progress towards our EDI goals. A project is reviewing the effectiveness of Wellcome's current channels of employee engagement and will make recommendations on future needed architecture to deliver the strategy. • A number of specific Board decisions in 2021/22 have been informed by employee engagement. For example, the Board received feedback on the new vision and mission for Wellcome Collection from in-depth engagement with Wellcome Collection staff. Feedback from staff consultations on future ways of working was also received, including surveys and focus groups to elicit staff views on working options. Care was taken to include younger members of staff, who tend to be less represented on decision-making groups. • See page 65 for a detailed look at how internal engagement around the challenging issues of racism and anti-racism at Wellcome informed the Board's actions this year.
Research communities Researchers want to understand Wellcome's strategy, goals and processes so they can decide whether to apply to our funding schemes or work with us in other ways to achieve shared goals. We want to help research have the biggest possible impact on health worldwide, while building a positive, productive and inclusive research culture.	• Our monthly Research Update newsletter goes to 7,000 members of the research community including current and prospective grantholders, to help keep the community informed of the latest funding, policies and activities that Wellcome is leading or involved in. • Wellcome delegations including staff and Governors, travelled in person to academic centres in the UK, Kenya and South Africa this year to discuss Wellcome's strategy and how we want to work with researchers. Feedback from these visits has informed further communication and engagement. • Wellcome's funding decisions are routinely informed by expert reviewers and committees, including this year for example the decision to continue core funding for the Oxford University Clinical Research Unit in Vietnam, one of Wellcome's Africa and Asia Programmes. We also hold debriefs with the chairs of our funding committees to assess how the schemes are working and inform future strategy. • See page 66 to discover how we engaged the data science and research communities to shape a funding call in our Climate and Health programme.

Our key stakeholders (continued)

Our key stakeholders and how we engage	
Partner organisations Organisations across the global research, health and public policy ecosystem – including Wellcome – want to work together to combine our leverage, resources and expertise so that we can better achieve our shared goals.	• Wellcome has regular meetings with major partner organisations, including the World Health Organization, the Coalition for Epidemic Preparedness Innovations (CEPI) and the Bill and Melinda Gates Foundation. • We worked with partners to shape the health aspects of G7 and G20 discussions this year, creating the Pandemic Preparedness Pact and an International Pandemic Preparedness Secretariat, working with the UK, US, Germany, Japan and a broad coalition of industry and non-governmental actors to support and track implementation of the 100 Day mission and other G7 health commitments. • Wellcome's Director attended the annual Heads of International Research Organisations meeting, sharing Wellcome's experience and priorities and hearing from counterpart organisations on their work to develop anti-racism strategies, for example.
Investor community Businesses who carefully consider and act on the interests of their stakeholders are most likely to have the most sustainable business models and the best chance of generating long-term financial returns. 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.	• Close involvement with UK Investor Forum and other financial industry bodies and asset owners encourages long-term thinking and good corporate governance in line with our published approach to responsible investment. • We have written to our buyout partners outlining and encouraging them to adopt best practice in addressing, setting and achieving a net zero target in the buyout industry.
Governments and policy makers Political leaders want relevant and timely evidence to inform decisions, and opportunities to enhance national scientific performance. We want governments and policy makers to routinely use scientific findings in decision-making and adopt approaches that support investment in science, and improve how science is done and used to solve the urgent health challenges facing everyone.	• Following expert presentations to the Board in November 2021 and subsequent discussion, Wellcome has begun a programme of deeper engagement with a range of governments, funders and multilateral organisations to explore the future shape of global health initiatives in a changing political climate. • This is an example of how Wellcome is strengthening our diplomatic efforts, deepening relationships with key governments and groups of nations, and building the knowledge and partnerships we need to reach our goals through advocacy for positive change in the world. • We attended COP26 and COP27, working with our partners and taking opportunities to influence other attendees to put health at the heart of their climate change actions (see page 23).

Our key stakeholders (continued)

Our key stakeholders and how we engage	
Suppliers We work with third-party suppliers who 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 our mission.	• We have a supplier relationship management programme where our procurement team support the management of key strategic contracts and ensure there is a robust plan for managing contracts where the procurement team is not supporting. • We procure renewable energy through a buying consortium and offset our scope 1 and 2 carbon emissions with the Woodland Trust, as well as covering some scope 3 emissions through offsetting of travel through the Woodland Trust.
People with lived experience of health challenges People and communities most affected by health challenges have expert knowledge and understanding of both challenge and potential solutions. We want to include this expertise meaningfully in our thinking and decisions, in the research we fund whenever relevant, and in the ways we engage with others to drive change.	• Wellcome's Mental Health team employs lived experience consultants who contribute their expertise to the overall approach as well as to how we deliver it in practice. Applicants for funding from our Mental Health programme are expected to meaningfully involve people with lived experience of anxiety, depression or psychosis at multiple stages of the research, to effectively inform its design, governance and delivery, as relevant to their research question and methodology.
Public audiences Everyone worldwide has a stake in the health issues that Wellcome works on, and has a right to know what we are doing, and how. We are accountable to society for delivering our mission, while using our independence for public benefit.	• Wellcome Collection, our free museum and library, creates opportunities for people to think deeply about the connections between science, medicine, life and art. Over the last 12 months, we had 260,000 visitors to our galleries and exhibitions, and 3.6 million visitors to our website. • See page 25 for more about Wellcome Collection's activities this year. • Wellcome's public engagement team leads on building relationships with communities around the world to create better contextual understanding around research priorities, amplify the voices of those most affected, and augment research through community-based knowledge. • Wellcome launched Mindscapes in February 2022, a year-long international cultural programme that aims to expand how people understand, address and talk about mental health. Exhibitions in Bengaluru, Berlin, New York and Tokyo were inspired by lived experience and informed by locally and culturally specific contexts of mental health. • Wellcome Global Monitor gathered data in 113 countries during 2020, seeking to better understand how people think and feel about science and major health challenges. In November 2021, we published findings relating to people's experiences of the Covid-19 pandemic. We are reviewing the future role of Wellcome Global Monitor.

Case study: Engaging our staff on anti-racism

In 2020, Wellcome made a commitment to becoming an anti-racist organisation. Our overall progress on this commitment has been limited.

Anti-racist principles, guidance and a toolkit were developed by a staff working group, consulting widely with experts including an anti-racism expert group, and published in June 2021. Wellcome Collection in particular has developed new anti-racist practices.

However, our work with the anti-racist expert group ended with their resignation in March 2022, due in large part to our slow progress. An external assessment of progress on anti-racism published in August 2022 also concluded that the pace of change was too slow and that Wellcome remained institutionally racist.

Engagement with staff has been key to understanding the impact of inconsistent progress, and how we can learn and improve as an organisation. The anti-racism programme at Wellcome has been reshaped in response to feedback from staff through listening sessions with the staff-led Wellcome Race Equity Network, our staff forum Wellcome Exchange, discussions at the senior leadership team level, and all-staff internal meetings that Governors attended, listened and spoke at. These different modes of feedback identified key themes of accountability, governance and communication where leadership can improve. The outputs of staff engagement were discussed at Board, and the themes played back to the organisation before developing and consulting on specific proposals.

Wellcome Street Fair, June 2022.

New actions announced in 2022 to drive greater progress against anti-racism can be found on pages 25 and 71. Members of the Executive Leadership Team (ELT) were also required to prepare an action plan detailing the work they will lead to accelerate the anti-racism programme. An overarching ELT action plan was published internally in October 2022, and additional actions for individual ELT members included in their objectives for 2022/23, so that all staff can be aware of their commitments and progress.

Our progress on anti-racism will be overseen by the EDI Committee, chaired by our Director and reporting to the Board. This Committee was established in September 2022.

Case study: Co-developing a research funding call

In 2021, Wellcome planned to make some funding awards to help lay the groundwork for our developing Climate and Health programme. One idea was to address the need for better open-source tools and methods to assess the potential impact climate change will have on escalating infectious diseases, connecting two of our challenge-led programmes.

Given the scale of the field, we commissioned work to better understand the gaps in this ecosystem and help us make strategic decisions about how to focus our resources to make the most difference.

A group of mostly mid-career researchers contributed to a landscaping report facilitated by the Inter-American Institute for Global Change Research. The report identified 37 current tools and detailed the needs of the community, gaps, opportunities and problems faced. It informed our Board's October 2021 discussion of a programme of funding for climate and health, which included a specific call shaped by this landscaping work.

Our Digital Technologies Development Award in Climate-Sensitive Infectious Diseases Modelling funding call was subsequently approved, and launched in February 2022. We received 53 applications, shortlisted to 35, which were peer-reviewed and evaluated by a panel of experts. In the end, 21 awards were funded, as well as three discretionary awards identified through the call.

This was not the end of our engagement with the community. We followed up with applicants, successful and unsuccessful, to get feedback on the call. We learned that some key members of the climate-sensitive infectious disease research field had been unaware of the call, suggesting we could have promoted the call differently. A lack of clarity in some aspects seemed to discourage some applicants, while the timeframe was too short for others. These lessons can be taken into future funding calls across all of Wellcome's work.

Llaca lake, Huaraz, Peru 2021. Florence Goupil © Wellcome

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

Board decision	Governors' consideration of factors under s172(1)	
New approach to partnerships	Fostering relationships	On certain major initiatives that are aligned with our strategy, we enter into partnerships with organisations and provide significant funding and hands-on support to them.
	Long-term impact	The Board agreed that Wellcome would move to longer awards with such partners and with a continuing partnership dialogue rather than a 'cliff edge' each five years (funding had typically been awarded in five-year cycles, which did not reflect the long-term nature of our commitment to each of these initiatives and ability to ask longer-term scientific questions). The Board incorporated this new approach to engaged partnerships in, for example, approval to renew funding of the Francis Crick Institute.
Wellcome Collection – new vision and strategy	Community and environment impact Public benefit	In developing our new strategy for the Wellcome Collection, the Board considered the changing needs of society including, for example, greater recognition that social justice is becoming central to the ethos of contemporary culture institutions such as museums, libraries, and archives; and how Wellcome Collection can best use its independence to have wider influence and impact in the sector. The Board also applied the learnings from stakeholder engagement to inform the strategy, both internally with employees and externally, which was led by external consultants with key stakeholder groups including peer organisations, collaborators, existing audiences, and those not currently in our audiences.
	Employees	Wellcome Collection staff were engaged in the process to develop the new Wellcome Collection strategy at key points including gathering feedback on some initial high-level questions and later in the process on three different vision and mission options, which were used to inform the final vision and mission.
Climate and health strategy	Reputation Fostering relationships	The Board approved our new climate and health strategy, which was developed in line with the external environment by working with a panel of expert advisors. The Board also supported the appointment of a permanent Director of Climate and Health with substantial climate expertise to lead on implementing this strategy.
	Long-term impact Community and environment impact Public benefit	The Board approved our strategy to support a portfolio of primary research, research synthesis, translation and engagement activity to best achieve a long-term outcome to minimise the impact of climate change on health in the communities most affected. Climate change would be reframed as a health issue and a transdisciplinary research field built to enable application of research evidence to those affected communities and policymakers. A new set of early investments were also approved by the Board to focus on highly urgent issues. See page 66 for an example.

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

Board decision	Governors' consideration of factors under s172(1)	
Establishment in Germany – creation of EU hub	Long-term impact	The Board approved the establishment of a German subsidiary as being integral to delivering our strategy. In the three years since the pilot project in Germany was put in place, our presence has advanced our ability to influence and shape global health policies and made having an EU hub key to our strategy delivery.
	Employees	A German office working group led engagement with staff and contractors in Germany. Some of the engagement outcomes indicated a preference for establishing a subsidiary to allow for local employees (over contractors) as a way to attract and retain talent, a reduction in administrative burden on staff in Germany and London, and allow for a more inclusive and equitable way of working to create comparable working conditions between UK and German staff.
	Fostering relationships	The Board approved establishing a local subsidiary as it would give the German office the ability to transact directly with suppliers and external organisations to create partnership agreements and award grants.

Social Responsibility: Environment

Our approach to sustainability

The world is facing a climate emergency and Wellcome has more to do in addressing our responsibilities. We are committed to becoming a net zero organisation in every aspect of our activity, including our charitable mission, our operations and our investment portfolio.

Although we have been taking several actions to reach net zero, we did not have a cohesive plan for this beyond our investments portfolio (see page 42). We have now set up a multi-year sustainability programme, with the purpose of establishing sustainability goals and a strategy and implementation programme for achieving them. It involves a working group of business leads from across the organisation, a steering group led by the Director of Corporate Affairs, and clear governance through which the Audit and Risk Committee will oversee the Executive Leadership Team's progress. We have engaged Pricewaterhouse Coopers (PwC) to support us with subject matter expertise, provide healthy challenge, guidance with overcoming barriers, and give a global comparator view on how we benchmark our actions and progress.

For Wellcome to reach net zero, our charitable and operational activity, our investment portfolio, and our subsidiary Genome Research Ltd, all need to reach net zero. Each of these poses different and substantial challenges. We are addressing these through separate workstreams, and will then report on each to form a combined Wellcome progress assessment.

We are clear that our responsibility is not limited to our own direct consumption of energy such as our buildings and the IT systems we use. Our indirect impact, through goods and services we procure and the research we fund, is as important and we are committed to a net zero approach here as well.

This year, we have categorised which of our activities fall under Scope 1, 2 and 3 emissions according to the Greenhouse Gas Protocol, estimated the baseline for scope 1 and 2 emissions, and identified potential decarbonisation levers for reaching net zero for scope 1 and 2. We are now assessing how feasible these are for Wellcome to implement quickly: a key challenge is to move as quickly as we can without compromising delivery of our charitable mission.

We plan to set sustainability goals early in 2023 and then implement an action plan for achieving them. In the meantime, other work that contributes to net zero continues to make progress, including rainwater harnessing, improved building management systems, and commitments to ISO14001.

We have set the 2018/19 figure for Scope 1 & 2 emissions (4,089 tonnes of CO_2 equivalent) as our baseline, as this was the last full year unaffected by the unusual circumstances of the pandemic.

Our Scope 3 emissions are by far the largest and the most complex area. We are in the process of defining all our activities which have an indirect impact on carbon equivalent emissions. This will inform what we expect of, and how we might support suppliers, research institutes and key partners to collaborate with us in our net zero work.

We are looking at ways to work with others across the research sector to address these issues collectively, and are exploring tools available to enable researchers and suppliers to estimate their emissions. And we have commissioned a report from RAND Europe on how the environmental impact of research is measured, and to map out how we could integrate these findings into our work and highlight key gaps.

As so much of Wellcome's charitable mission is delivered through others, understanding the extent of these Scope 3 emissions so we can act to reduce them is an exceptionally complex and challenging undertaking. It is likely to require significant changes to our grant-giving and other business practices. There are no simple solutions, and we will need to take time to make choices that allow us to meet our sustainability obligations while still delivering our strategy.

We are working to identify what our responsibility in terms of sustainability reporting means for Wellcome including considering Task force on Climate-related Financial Disclosure requirements, and what additional data we need to report in the future.

Looking ahead, we want to ensure we resource our ambitions appropriately in this dynamic situation, anticipate climate and geo-political risks to our plans, and keep up momentum on our drive to reach net zero.

We still have a considerable way to go before we believe we can truly hold ourselves to account on sustainability. We continue to be realistic about the challenges ahead, willing to make bold decisions, and determined to meet our commitments to the planet. We are learning from others and where feasible sharing our learning with others so that together, we can achieve more than ever before.

Wellcome's Scope 1 & 2 Baseline

Year	tCO2e
2018/19	4,089
2019/20	4,067
2020/21	2,754

Social Responsibility: Our people

Wellcome's diverse staff includes over 1,000 colleagues based in the UK and Germany. Headcount rose after a major organisational redesign was implemented in 2021 to align our structure with our new strategy. This created a large number of vacancies, and we have recruited around 450 people since the start of the process, including 308 in 2021/22. We had 133 employees leave in 2021/22. Turnover has fallen as the impact of people leaving through voluntary redundancy as part of the restructure process has tailed off.

In light of the rising costs of living in the UK and elsewhere due to factors including high energy prices, we implemented an interim pay review in August 2022 and brought forward some of the annual pay award to support staff financially. As planned, we closed a defined benefit pension scheme to future accrual in June 2022 (see also page 87) – this means all staff now have the same pension arrangement, in line with our aim to be an equitable employer.

Wellcome's staff are among the most important stakeholders in delivering our mission, and we prioritise internal communication and engagement. Our staff forum, Wellcome Exchange, gathers insights and ideas from around the organisation to help make Wellcome a better place to work.

We have a number of staff networks, which provide peer-to-peer support and contribute to internal policies as well as to Wellcome's mission, each through their specific lens and also by working together. Each network has a sponsor from our Executive Leadership Team and a nominated Governor as its 'Board buddy'. A new staff network was set up this year to focus on reducing barriers faced by staff from lower socio-economic backgrounds.

Our staff networks:

- **Disability Interest Group (DIG) –** to achieve equity for Deaf, disabled, neurodivergent and chronically ill colleagues at Wellcome.
- **Interfaith at Wellcome –** to make Wellcome more inclusive for colleagues and prospective staff identifying as having a belief or faith.
- **LGBTQ+ at Wellcome –** to create a safe, supportive and inclusive space for LGBTQ+ employees at Wellcome, raising awareness of and providing advice on relevant issues.
- **Parents and carers network –** to help make Wellcome a place where parents and carers feel supported and able to succeed.
- **Socio-Economic Equity Staff network At Wellcome (SEESAW) –** launched in April 2022 to focus on reducing barriers faced by staff from lower socio-economic backgrounds.
- **Wellcome Race Equity Network (WREN) –** to push Wellcome to lead the way as a racially diverse and inclusive employer, funder and advocate for better science and health research for all.
- **Women of Wellcome (WoW) –** to support, champion and connect women at Wellcome as well as raising awareness of relevant issues.

Equity, diversity and inclusion

Equity, diversity and inclusion (EDI) is a priority for the Board. Wellcome's diversity and inclusion strategy was published in March 2021, setting 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.

Anti-racism and anti-ableism are the priorities in Wellcome's 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. After the high level of recruitment this year, representation of people from ethnic minorities working at Wellcome has reached 25 percent, although we acknowledge we have much more work to do at senior levels.

An external evaluation of our work so far to become an anti-racist organisation (see also page 65) reported in August 2022 that Wellcome is still harbouring and perpetuating racism, and that we have yet to act with the urgency required. The Board and Executive Leadership Team (ELT) accepted the findings and apologised for the actions and inactions that caused this. The Board approved further actions to advance anti-racism, which speak to our determination to do better. These were published internally as a ten-point ELT Action Plan. A focus this year was on training for ELT and key functions, such as the People Team, on racial fluency. This training has now been made available for all staff. ELT undertook a six-month training programme and the People Leadership Team started their in-depth training.

We have introduced a new EDI subcommittee of the ELT, chaired by the Director and with a direct reporting line to the Board. It is pulling together all EDI work across Wellcome and will oversee this work, enabling us to learn more rapidly from areas that are doing well and making sure activities are focused through delivering Wellcome's strategy.

We are also recruiting a new member of the ELT, reporting to the Director, with responsibility for leading Wellcome's EDI work including our specific focus on anti-racism. This role recognises how central EDI work is to Wellcome's ability to deliver our strategy successfully, and will help us to fully embed inclusive practices across the organisation.

We will start putting together a programme of anti-ableism work in 2022/23, drawing on everything we've learned from our EDI activities to date and from our staff-led Disability Interest Group.

Pay gap data

Wellcome's gender pay gap has fallen steadily over the past five years, although progress has been slower than we would like. A small increase this year is likely to have been caused by an unusual level of changes to mid-level roles during the organisation redesign. Our mean gender pay gap continued to reduce (2022: 21.8%; 2021: 23.0%). Actions take time to show in the data but we expect to see the downward trend continue in future years.

Wellcome's ethnicity pay gap increased slightly this year, likely caused by an unusual level of changes to mid-level roles and a high level of recruitment during the organisation redesign. As in previous years, interpretation has to be tentative because we have not received ethnicity data from the full workforce. Disclosure rates have increased since April 2022, however, and we expect our 2023 ethnicity pay gap data to better reflect the reality.

Wellcome's Gender Pay Gap 2018–2022

Year	Gender pay gap
2018	17.4%
2019	17.3%
2020	15.9%
2021	13.2%
2022	15.4%

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

Wellcome's Ethnicity Pay Gap 2019–2022

Year	Ethnicity pay gap
2019	0.4%
2020	-1.4%
2021	4.6%
2022	5.6%

Data: ethnicity pay gap in median pay for people of colour at Wellcome as a percentage of median pay for white people at Wellcome. We first reported our ethnicity pay gap in 2019

Staff diversity FY2021/22

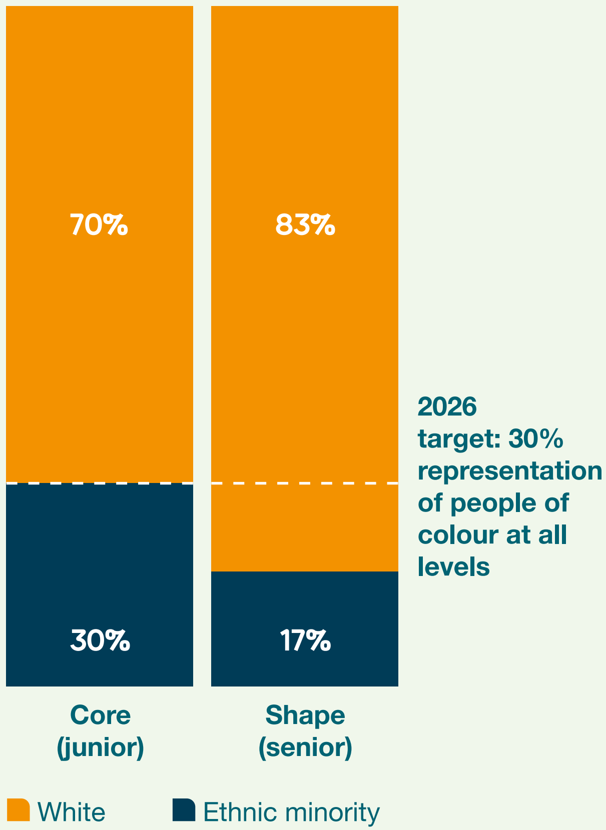
Gender	84% provided data
Female	68%
Male	30%
Other*	2%
Ethnicity	**85% provided data**
Ethnic minority	25%
Black	6%
Asian	12%
Mixed and Other	7%
White	75%
Disability	**69% provided data**
Disabled	12%
Not disabled	88%

We ask staff to share personal information so that we can track progress on diversity at Wellcome. (Data as of 3 November 2022)

*2% of staff responded 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 people of colour and white people among colleagues in Core, usually the most junior roles, and Shape, the most senior band below the Executive.

Health, safety and wellbeing

The year began in October 2021 with a return for the majority of staff to our main office building. We wanted to pilot a hybrid approach, with everyone encouraged to come in on Tuesdays and Wednesdays, and the office open other days for those who wished to use it and those whose work depends on them being on site, such as many of our Wellcome Collection colleagues. After six weeks, however, a resurgence of Covid-19 in the UK meant most staff returned to home working until February 2022. As in the previous two years, we provided equipment and remote training and induction, and accommodated reduced or flexible hours.

Since February, we have continued the pilot approach to office use and numbers of staff in the building have remained high on our two designated office days. We are now determining the best future working approach for Wellcome, looking at how our policies, technology and building can align to hybrid practices that help us deliver our mission. This is informed by insights from focus groups, ethnography and building surveys. Among changes we've already made based on what we've learned during the pandemic is a policy allowing employees who have the right to work in another country to do so for up to two weeks each year.

Our Health and Safety and Environment (HSE) policy promotes and supports the physical and mental health, safety and wellbeing of our people by doing what we reasonably can to provide a safe working environment. We also endeavour to minimise the impact from our operations on the environment.

Last year there were no accidents or dangerous occurrences reportable to the Health and Safety Executive under UK regulation.

Wellcome's Health, Safety and Environmental Committee ensures that employees are consulted, informed, and can raise concerns on matters of health, safety and the environment. The committee meets quarterly and is chaired by our Chief Information Officer, with advisory input and guidance from our Health and Safety Manager, and representatives nominated by all Wellcome departments. It feeds into ELT through the Operations Committee.

Wellbeing is supported through benefits and services to enhance the physical, mental and social health of staff. This includes a private medical insurance scheme, an employee assistance programme providing counselling over the phone at any time, trained mental health first aiders, and several digital apps providing a range of services. Enhancements to the Private Medical Insurance Scheme this year include a virtual GP service available to staff and their family members, gender dysphoria benefit including transition-related treatments and emotional support, and a cash benefit to cover menopause and fertility support.

We have a staff-run social group, organising events and informal opportunities for colleagues to meet and interact. We also have a free gym and a social space for various activities.

This year saw the return of community action volunteering, which was suspended in 2020 and 2021 due to the Covid-19 pandemic and related public health restrictions. Over 150 colleagues volunteered across 10 grass-roots community organisations in London – the highest contribution since we started the initiative in 2016. Everyone who took part felt the volunteering was impactful for the organisations supported, and said they would volunteer again. 96 percent of volunteers strongly agreed that it had contributed to their own wellbeing.

Genome Research Limited (GRL) management recognises that proactive, well-managed health and safety is directly linked to the Wellcome Genome Campus's growth and success, and this is reflected in the resources available to support the management of risks. In 2022 GRL received a gold achievement award for health and safety from the Royal Society for the Prevention of Accidents, who are recognised as being world-leaders in health and safety practice.

During the past year training and assurance activities have been a key part of the strategy at GRL, with new mandatory training introduced for all managers and senior leaders.

The health and safety management system Assure, launched in 2021, has resulted in an increased reporting of all incident types, including near miss and hazard observations. An internal assurance programme of laboratories, plant and shared spaces, including reviewing the health and safety of our construction contractor organisations, is in place with senior management receiving a monthly summary of incidents and progress on the assurance programme with outstanding actions.

All incidents reported are reviewed with learning shared appropriately across the organisation. The ratio of near miss to injury incidents is closely monitored – currently six near miss or hazard reports to every injury incident. The aim is to increase this ratio with improved education and engagement of the workforce. There were two incidents in the past year, which were reported to the UK's Health and Safety Executive through RIDDOR 2013, one of which resulted in the employee taking more than seven days absence.

GRL continues to benchmark annual incident data and share good practices with similar scientific organisations.

Risk management

Wellcome aims to have a comprehensive and integrated risk culture with a framework to anticipate, identify, prioritise, manage and monitor risks impacting our organisation and support decision making so that we deliver our mission.

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 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. 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.

Throughout the year the risk appetite has continued to be refined in more detail, however the overall risk appetite for the organisation remains unchanged. We express our risk appetite in five levels of willingness to take risks: Very Low, Low, Medium, High, and Very High.

- 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.
- We have a medium-to-high risk appetite in respect of funding activities – we are willing to support ambitious science while promoting positive 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 risks promoting our activities 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

Wellcome operates a "three lines" approach to risk management and controls.

First line – Internal controls

Management is responsible for risk management and execution of internal controls. Wellcome's internal controls provide the Board with reasonable assurance that the organisation is operating within the desired risk appetite, and that the opportunity for a material misstatement or loss is minimised.

Department leads and risk owners regularly review controls and their effectiveness. ELT review internal operational and financial controls annually and confirm the operating effectiveness of those controls to the Audit and Risk Committee and the Board of Governors.

The key components of Wellcome's internal controls are:

- **Accountability:** Our people own 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. Ownership and accountability for Wellcome's risks and their mitigating controls is captured in the Corporate Risk Register discussed on pages 78-81.
- **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. Analysis of risks, including 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. We emphasise personal judgement and responsibility, with staff, committee members and Governors expected to conduct themselves with integrity and impartiality. Policies are regularly reviewed, with updated policies highlighted to our people through internal communications and training. Policies include Agreements, Code of Conduct, Managing Interests, Data Protection, Delegated Authority, External Complaints, Financial Crime (covering fraud, bribery and corruption), Procurement, Risk Management and Speak Up. The Code of Conduct, Data Protection, Financial Crime and Managing Interests policies are discussed on page 60. Wellcome's grant conditions and policies set out the standard terms on which grants are awarded, as discussed on page 59.

- **Reporting:** The Board and ELT review regular financial reporting, monitoring actual activity against forecast, investment performance and risk reports.

The Board, ELT and the Audit and Risk Committee review reporting on the effectiveness of the controls environment.

Second Line – Risk management framework

Wellcome aims to operate a comprehensive risk management framework that is applied consistently at all layers of the organisation. During the year, considerable progress has been made to mature the risk management framework at Wellcome, and to ensure that a strong risk management culture is embedded throughout the organisation.

The framework encapsulates multiple elements which are described below:

Risk Reporting

Risk Appetite	The risk appetite of the organisation is determined to facilitate the delivery of our objectives. **Risk Management Dashboard** Presented to the BoG quarterly, the dashboard reports upon and tracks risks against the determined appetite, primarily through setting and monitoring of KRIs (Key Risk Indicators).
Corporate Risk Review	The corporate review process summarises the most prominent risks facing the organisation. **Corporate Risk Register & Emerging Risks** The register is updated quarterly and summarises risks highlighted in the RCSAs or highlights risks or risk trends at the corporate level. The emerging risk exercise identifies risks which are of significance for Wellcome both in the immediate and long term.
Risk & Control Self Assessments (RCSA)	Risks to the delivery of objectives are articulated along with any controls. Prominent risks are highlighted and actions defined and tracked. KRIs are defined and monitored. **Risk & Control Self Assessments** The framework enables a consistent approach to identifying, assessing, response and monitoring of risks across the organisation. It also provides a way to track department actions relating to risks and controls.
Risk Events (REVs)	Improvements to processes or approaches can be drawn out by logging and assessing errors, near misses or issues. **Risk Events (REVs)** The log provides a way to record anything where improvements or lessons may be learnt from errors, near misses and issues encountered in regular activities.
Wellcome's Culture	Risk, Governance and Controls form part of everyone's responsibility at Wellcome, therefore everyone needs to understand what this means collectively and individually and take action accordingly. A proactive culture is desired where all have the skills and competencies to adhere to policies and adopt appropriate behaviours for all at Wellcome.

Second Line – Risk management framework (continued)

The impact and likelihood of risks are scored using a standardised risk assessment matrix which we classify into eight categories:

- **Objective –** 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 –** Financial loss and variation to approved budget.
- **People –** Health and safety.
- **Reputation –** External criticism of Wellcome or its activities.
- **Regulatory/Legal –** Legal proceedings or scrutiny by a regulator
- **Operational:**
  - **IT –** Security and availability of systems and infrastructure.
  - **Environment –** External environmental impact caused by Wellcome.
  - **Building –** Disruption to Wellcome's buildings.
- **Investment Portfolio –** Real returns, portfolio value and liquidity.
- **Investment Operations –** Investments and supporting functions abilities to carry out core activities.

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).

Key corporate risks (see pages 78-81) 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 emerging risks.

Emerging and long term risks

As part of the risk management framework we review emerging and long-term risks facing the organisation. The global emerging risk landscape is evaluated and potential significant risks are identified. The process involves the ELT, Audit and Risk Committee and the Board of Governors with the goal of considering how they might impact the organisation, mission and endowment. The interconnectivity of the risk landscape forms part of determining the broad categories we consider to be of significance to Wellcome.

- **Economic instability and funding –** Wellcome's investment portfolio may not produce the required returns to fund the charitable mission.
- **Changes to the global geopolitical landscape –** This may affect established collaboration networks and global institutions making Wellcome's mission harder to achieve.
- **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 and 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.

Key risks

Risk decreasing Risk stable Risk increasing New risk

Risk	Description	Mitigating activities and oversight
Investments		
Investment portfolio	The risk of failure to support Wellcome's desired level of charitable spend, which may occur through one or more of: a failure to deliver the required long-term returns; a fall in the real value of the endowment (due to inflation); inadequate cashflow and liquidity; credit and counterparty defaults; climate change.	**Mitigations in place:** • A high quality, well-resourced investment team actively managing the endowment • The portfolio is invested in a diversified range of assets with limits around asset allocation ranges and position sizes, refer to investment asset allocation Figure 6 on page 33 • A regular review of forecast cashflows and the liquidity profile of all investments • Credit and counterparty exposures are monitored with limits in place, refer to Note 23(a) Credit risk and (b) Liquidity risk on pages 166-167 • Net zero targets are considered as part of the license to operate framework, refer to investments net zero strategy on page 42 **Planned mitigations:** • A holistic review of risk appetite **Accountability:** • Chief Investment Officer **Oversight by:** • Investment Committee • An independent Investment Risk function
Investment operations	The risk that investment activities may not be supported effectively due to insufficient resources, a lack of succession planning and sub-optimal systems and processes.	**Mitigations in place:** • A programme of learning and development to support internal progression • The Investment Systems and Processes project (ISPP) is underway to create an optimal operational environment for Wellcome **Planned mitigations:** • Strategic resourcing of the Investment function • Programme of activities outlined in the ISPP are implemented **Accountability:** • Chief Investment Officer **Oversight by:** • Audit and Risk Committee • Investment Committee

Key risks (continued)

Risk decreasing · Risk stable · Risk increasing · New risk

Risk	Description	Mitigating activities and oversight
Strategic		
Wellcome Collection strategy (New risk)	The risk that the strategic ambitions for the Wellcome Collection are not clearly articulated and aligned to Wellcome's mission, and that operational changes do not support the delivery of our new strategy.	**Mitigations in place:** • Strategic objectives have been approved • A programme team is in place to manage delivery of operational change **Planned mitigations:** • Delivery of all outlined operational changes **Accountability:** • Director of Wellcome Collection **Oversight by:** • Chief Operating Officer • Board of Governors
Organisational change (Risk decreasing)	Wellcome executed an implementation programme for the new organisational design following on from the strategy review in 2020. There remains a residual risk that the culture of the organisation has not been clearly articulated and may not support the delivery of our strategic activities.	**Mitigations in place:** • The organisation is now on a "business as usual" footing with respect to delivering Wellcome's strategic goals following significant recruitment and reduction in staff turnover – refer to Our People page 71 **Planned mitigations:** • Define Wellcome's desired culture • Develop and implement a programme of activities **Accountability:** • Director of People **Oversight by:** • Audit and Risk Committee
Delivery of diversity & inclusion commitments (New risk)	The risk that Wellcome's does not deliver on diversity and inclusion commitments made both internally and externally through our funded institutions.	**Mitigations in place:** • Formation of a subcommittee of ELT for Equity, Diversity and Inclusion **Planned mitigations:** • Clearly defined strategy and activities that address internal commitments, refer to the Equity, Diversity and Inclusion goals on page 71 • Developing positive action principles and processes to support our funding activities **Accountability:** • EDI subcommittee of ELT **Oversight by:** • Board of Governors

Key risks (continued)

Risk decreasing Risk stable Risk increasing New risk

Risk	Description	Mitigating activities and oversight
Operational		
Cyber security	Wellcome is a potential target of malicious actors in a constantly evolving security threat landscape. The risk that security weaknesses in our technology systems may be exploited.	**Mitigations in place:** • Appropriate systems and processes are in place to manage external threats to Wellcome • A dedicated team of professionals monitoring the internal and external environment • Mandatory security awareness training in place for all staff, including regular simulated phishing testing **Planned mitigations:** • A continuous improvement and development plan is being executed • Implementation of Role-Based Access Control **Accountability:** • Chief Information Officer • Digital and Technology Audit and Governance Group **Oversight by:** • ELT Operations Sub-Committee
Inflation	The risk that higher levels of inflation impact upon the ability to deliver the mission objectives and upon operational costs. (The risk to the investment portfolio is managed as part of ongoing management of the endowment).	**Mitigations in place:** • A package of employee support has been implemented • A review of Wellcome's inflation policy has been undertaken with the goal of mitigating the immediate impacts of inflation for grant recipients and larger programmes **Planned mitigations:** • Further support is being planned for Wellcome Staff and service partners **Accountability:** • Executive Leadership Team **Oversight by:** • Board of Governors

Key risks (continued)

Risk decreasing Risk stable Risk increasing New risk

Risk	Description	Mitigating activities and oversight
Operational		
Staff wellbeing	A combination of significant internal and external factors have the potential to have a negative impact on the wellbeing of Wellcome Staff.	**Mitigations in place:** • Regular prioritisation of workloads by ELT and line managers • A number of resources have been introduced to support individuals to manage their wellbeing including an employee assistance programme, mental health resources and wellbeing champions **Planned mitigations:** • Implementation of longer-term plans for how we embed wellbeing into the new culture **Accountability:** • Director of People **Oversight by:** • Executive Leadership Team

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, who also monitor delivery of the plan.

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

An internal audit opinion is presented to the Audit and Risk Committee annually. In April 2022, the opinion concluded that while there were a number of projects which impacted the current and future control environment (for example, strategy implementation and determining the best future working approach for Wellcome), overall, the control environment continued to mature.

The opinion also highlighted that management was implementing various projects aimed at enhancing operational controls, systems and processes, and improving the risk culture of the organisation.

Remuneration report

Wellcome remuneration policies and practices are designed to support and promote Wellcome's long-term success and delivery of our strategy, to reward fairly and responsibly having regard to statutory and regulatory requirements, and align executive remuneration with Wellcome's values and the delivery of its long-term strategies.

Our remuneration principles:

- **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.
- **Transparent:** our pay policy, which applies to all staff except for the Investment Team, is openly communicated to staff. The Investment Team's remuneration framework is communicated to team members individually. Our bonus scheme is open to all employees, except for the Investments Team which has a dedicated remuneration framework.
- **Fair:** 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 team run annual equal pay audits and report the findings to the ELT and the Remuneration Committee to ensure we do not discriminate or unintentionally create any equal pay issues. Gender and ethnicity pay gap data is also reviewed by ELT and the Remuneration Committee to inform decisions.

In the UK, we are a Real Living Wage Employer accredited by the Living Wage Foundation. Employees based outside of the UK (for example, Germany) are eligible for annual pay awards in line with the UK process but are subject to any overriding local policy and legislation.

In August 2022, we implemented an interim pay review and brought forward some of the annual pay award to help staff with cost of living challenges.

The Remuneration Committee

The Board of Governors appoints the Remuneration Committee, chaired by an independent Governor, 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 support Wellcome's values, long-term sustainable success and facilitate the employment, motivation 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. It also sets the remuneration policies and framework for all staff.

The Remuneration Committee Report includes key decisions made by the committee throughout the year.

Our remuneration governance framework

Board of Governors and the Remuneration Committee	The Board of Governors delegates certain remuneration matters to its Remuneration Committee as per its terms of reference.
Remuneration policies	• Governors' remuneration – Wellcome Constitution and approval by the Charity Commission • External board committee members – Remuneration Committee approves their remuneration. • General Pay policy – applies to all staff except Investments Team. Approved by the Remuneration Committee. • Investment remuneration framework – applies to the Investment Team. Approved by the Remuneration Committee.
Annual pay awards and bonus (and LTIP for Investment Team)	Remuneration Committee – reviews individual ELT and Investment Executive performance and remuneration. It also approves the pay award budget and the bonus percentage for each performance rating that applies to wider Wellcome staff, as well as the LTIP awards for the Investment Team.

Governor 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. Following approval by the Charity Commission of a scheme in October 2011, the levels of remuneration of Chairs and Deputy Chairs are up to two and one-and-a-half times the level of a Governor, respectively. A review of Governor remuneration and the adjustment mechanism is underway, which will continue to ensure that Governors do not make decisions on their own remuneration. The Governors have not had an increase in remuneration since the 2016/17 financial year.

Governors' remuneration Year to 30 September

	2022 £	2021 £
Julia Gillard (Chair from 12 April 2021)	**142,108**	67,286
Eliza Manningham-Buller (Chair until 11 April 2021)	**-**	74,822
Fiona Powrie (Deputy Chair from 01 January 2022)	**97,699**	71,054
Michael Ferguson (Deputy Chair until 31 December 2021)	**26,645**	106,581
Tobias Bonhoeffer (until 31 August 2021)	**-**	65,133
Arup Chakraborty (from 1 May 2021)	**71,054**	29,606
Amelia Fawcett	**71,054**	71,054
Richard Gillingwater	**71,054**	71,054
Bryan Grenfell (retired 31 August 2021)	**-**	65,133
Gabriel Leung (from 1 May 21)	**71,054**	29,606
Cilla Snowball	**71,054**	71,054
Elhadj As Sy	**71,054**	71,054
Ijeoma Uchegbu (from 15 November 2021)	**62,370**	-
Total remuneration	**755,146**	793,437

Expenses in respect of accommodation, travel, subsistence, telephone and sundries incurred by the Governors in the course of their duties amounted to £99,026 (2021: £39,367) of which £44,852 (2021: £16,640) was paid directly by Wellcome, and £54,174 (2021: £22,727) was paid by the Governors and directly reimbursed to them.

The increase in the expenses paid this year is driven by a return to travel and in-person meetings and additional Chair accommodation expenses. Additional Chair expenses were £48,000 (2021: £22,727). 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 2022.

The Audit and Risk Committee and Investment Committee have independent external committee members (non-Governors) who are permitted to claim £10,000 per annum and £20,000 per annum, respectively. A review of external committee members' remuneration is underway.

Executive remuneration

The remuneration of ELT members is set 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 remuneration 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 organisation size and reporting lines are used to identify a suitable pay benchmark. Pay progression for ELT is based on the same criteria as for the rest of the organisation, using a grid combining position in the market range and performance. 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. No executives are involved in making decisions on their own remuneration outcomes. The Remuneration Committee reviewed and agreed our approach to notice periods, which is being implemented across the organisation in a consistent way.

An assessment of ELT's progress against its 2021/22 objectives was communicated to all staff highlighting achievements and shortcomings. There was good progress made in the design of our four Programmes (Climate and Health, Discovery Research, Infectious Disease, and Mental Health) and the activities needed to deliver them. However, we did not provide the leadership that Wellcome needed on the anti-racism programme. In response to this, ELT developed a specific and focused action plan and noted the critical importance of continuing to develop our culture to deliver our strategy successfully.

The Board approved three main ELT-wide objectives for 2022/23 (this is in addition to individual objectives for each ELT member to be agreed with the Director or line manager). This year's objectives set out the progress we must make on our strategy, EDI programme, and culture through the year. And at the heart of these objectives are the commitments and milestones set out in the delivery plans for all areas of our work across the four Programmes and for each ELT team, and the ELT anti-racism action plan.

Investments team

The Investments Team remuneration is based on the Investment remuneration framework (which is separate to the wider Wellcome Pay Policy).

Wellcome's Investment Team manages the investment portfolio that underpins our charitable activities. This 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.

Members of the Investments team are remunerated through their base salary, supported by 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, for senior roles, long-term incentives. A long-term incentive plan is in place to ensure that the remuneration of the Investments team remains competitive and to encourage a long-term view. Long-Term Incentive scheme awards are made annually based on investment returns and individual performance over a period of three to five years).

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 the Remuneration Committee and insight on reward in the sector to provide assurance that the pay and reward package for the Investments team was appropriate to attract and retain excellent staff, while also recognising Wellcome's charitable status.

Key management personnel

The key management personnel of the Wellcome Trust Group and Wellcome have been defined as the Board of Governors, ELT and the Investment Executive (individuals who are responsible for decision-making in respect of the investment portfolio). The membership of these groups is set out in the Reference and Administrative Details section (page 171). The roles and responsibilities of the Board of Governors and the ELT are discussed in the Structure and Governance section.

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 on page 84.

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).

Remuneration of key management personnel Year to 30 September

	2022 £	2021 £
Governors	**755,146**	793,437
Director of Wellcome	**538,041**	515,216
Executive Leadership Team (excluding Investment Executive)	**2,973,610**	2,462,885
Investment Executive	**10,746,916**	15,767,536
Employer pension contributions (for relevant staff)	**324,062**	376,673
	15,337,775	19,915,748

Summary of executive and staff remuneration

	Executive Leadership Team	Investment Executive	Investment staff	Wider staff
Salary	Annual pay reviews and awards take into account Wellcome's performance against its strategy as well as individual performance against objectives. Our pay policy is designed to enable Wellcome to recruit, motivate and retain the people we need to deliver our mission, by offering a fair reward package that is competitive with the markets from which we draw talent.			
	Salaries are reviewed annually, and increases are aligned with the wider staff increases.	Salaries are reviewed annually, and increases are aligned with the wider asset management market.		Salaries are reviewed annually.
Benefits	All staff are eligible for a wide range of voluntary benefits to improve their wellbeing.			
Financial wellbeing	A financial wellbeing programme is being rolled out to help staff with the cost-of-living challenges: Life Assurance policy of eight times an employee's salary, season-ticket loan, and Perkbox discounts as well as individual and team recognition awards.			
Physical & mental wellbeing	Holiday allowance of 25 days (30 days for ELT), private medical insurance including gender dysphoria cover, remote GP service, on-site gym, physio, and cycle to work scheme. There is also an employee assistance programme. We provide mental health support through our network of mental health first aiders and access to the platforms Plumm and Thrive, which include therapy options, and the platform Peppy for support with fertility, pregnancy, and menopause. Occupational health and individual stress assessments to identify and support individuals with work-related and other stress. Group income protection scheme designed to provide income for staff unable to work until they can return to work.			
Social & community wellbeing	Wellies, our social club, organises many events annually. There is an on-site bar, a choir, and an annual staff quiz. There are several active staff networks and groups. Numerous volunteering activities are organised throughout the year for individuals or teams.			
Pension	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). Following closure of the Defined-Benefit Pension plan, all employees (except for those who are in receipt of a pension allowance) are members of the Defined-Contribution Pension Plan.			
Bonus	ELT members are eligible for the same bonus scheme as wider staff. It is linked to individual performance ratings.	Bonuses are determined by the Investment Remuneration Framework, which is linked to performance.		Eligible for performance-based bonus. Except for early career programme.
Long-term incentive plan	Not eligible	Eligible	Certain senior roles only	Not eligible

Remuneration Committee Report

As the Chair of the Remuneration Committee, I am pleased to present our report for the year ended 30 September 2022.

This report summarises the work of the committee over the past year in fulfilling our responsibilities to provide effective oversight of the remuneration of our employees, including policies and procedures.

Effective committee governance

The membership of the Remuneration Committee is set out in the Reference and Administrative Details section (page 171).

The committee said goodbye to Mike Ferguson and was thankful for all his many contributions as a member of the Committee and Deputy Chair. We welcomed Fiona Powrie as a new member of the committee in her role as Deputy Chair succeeding Mike.

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.

The committee discussed compliance with the Remuneration Committee requirements of the UK Corporate Governance Code 2018 in considering executive remuneration. The committee reflected that it addresses the main factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, and that Wellcome's policies and practices are consistent with those outlined in the Code.

During the year the committee's focus was on:

Organisation Design implementation

The Remuneration Committee received reports and monitored the implementation of the Organisation Design via the new strategy. We have continued to focus on the equity, diversity and inclusion impact of the new structure.

Pay, reward and succession

The committee monitored the ongoing implementation of the new reward structure and process including the continued focus on performance management.

The committee agreed the remuneration of the ELT and the Investment Team. As part of this process, the committee reviews external benchmarking data and performance information (individual and collective), including calibration information. In addition, they approved both the annual staff salary review (including a cost-of-living advancement) and the annual gender and ethnicity pay gap reports.

The committee discussed the planning and implementation of an updated reward framework for the Investments team, including convening a dedicated sub-group, with external assistance from expert advisors, to consider market trends, benchmarks and discuss options. Next steps are being discussed with the Investments team.

Succession plans for ELT and senior positions were also discussed throughout the year. The Nomination and Governance Committee led for the Board on Director succession plans.

Pensions update

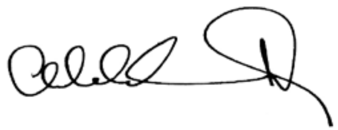
Following the decision to close the defined benefit pension scheme to future accrual as of 30 June 2022, a number of revisions to the Benefits of the scheme were approved including increasing the Death in Service lump sum for all employees (to pay a lump sum of eight times base pay).

Work is ongoing with the fund trustees to ensure the accrued defined benefit fund continues to be managed responsibly.

The committee endorsed the decision to establish a Governance Committee to oversee the defined contribution scheme in future.

Committee meetings during the year.

The committee formally met four times plus twice informally during the year. After each meeting, the Board of Governors receives a report on the key issues discussed.



Amelia Fawcett
Chair of the Remuneration Committee
9 January 2023

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 2022.

During the year our newly appointed Governors – Arup Chakraborty, Gabriel Leung and Ijeoma Uchegbu concluded their onboarding and induction. We also said farewell to Mike Ferguson as a member of the committee, Governor and Deputy Chair. The committee thanks Mike for his significant contributions to the work of the NGC.

We welcomed Fiona Powrie as a member of the NGC in January 2022. The membership of the committee is set out in the Reference and Administrative Details section (page 171).

We recommended and agreed Governor nominations to the Audit and Risk Committee and the recruitment and appointment process for an external member to join in September 2022.

Director succession and recruitment

The committee discussed the succession and recruitment plan for the Wellcome Director/Chief Executive position, to be appointed after the current Director's term concludes in 2023. The committee recommended the recruitment strategy to the Board, including the appointment of recruitment specialists to lead the global search for a new leader to implement Wellcome's strategy and mission.

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 externally facilitated board effectiveness review in spring 2022.

The outcomes of the review have now been finalised and presented to the Board and Executive to prioritise and agree the actions to take forward to improve and further develop our governance at Wellcome.

The NGC also discussed and recommended to the Board a refreshed Code of Conduct and Appraisal process for Governors along with a suite of e-learning and development packages for Governors, focussing on key risks such as financial crime, data protection and managing interests

Staff and stakeholder engagement

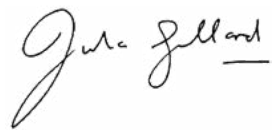
Cilla Snowball is the committee's Stakeholder Champion and has been working with the Executive Leadership Team to develop proposals for staff and stakeholder engagement.

The committee has responsibility for oversight and development of stakeholder engagement and reviewed progress at the September meeting.

Further information about how we engage with our key stakeholders, including employees, research communities, partner organisations, the investor community, governments and policy makers, suppliers, people with lived experience of health challenges and public audiences is included as part of the stakeholder engagement statement on pages 62-64.

Committee meetings during the year

The committee formally met three times during the year. After each meeting, the Board of Governors receives a report on the key issues discussed.



Julia Gillard
Chair of the Nominations Committee
9 January 2023

Investment Committee Report

As the Chairman of the Investment Committee, I am pleased to present our report for the year ended 30 September 2022. 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 external 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 continues to enrich our discussions and is of great value. Among the internal members, Professor Sir Michael Ferguson retired from the committee having also retired from the Board of Governors. We thank him for his contributions and welcome Gabriel Leung as his replacement as a Governor member of the committee.

At the end of the financial year, Peter Pereira Gray, formerly Managing Partner and Chief Executive Officer of the Investment Team, retired from his executive roles and from the Investment Committee. Peter has been an invaluable contributor to the committee over his two decades of membership. He will continue to contribute where appropriate, having taken on a non-executive investment function at Wellcome. Lisha Patel and Fabian Thehos, both Managing Directors in the Investment Team, recently joined the committee to replace Peter.

Activities during the year

The Investment Committee met in December 2021 and in March, May, and September 2022. At each meeting, it reviewed the positioning and performance of the investment portfolio in the context of prevailing investment market conditions and the rapidly changing macro-economic and geopolitical environment. It was a pleasure to be able to meet in person on all these occasions after two years of virtual meetings.

At the December 2021 meeting the committee made its annual consideration of the outlook for long-term returns and reviewed currency risk limits. In March 2022, there was a detailed discussion of the Investment Policy, focusing on proposed revisions to the risk framework and changes to delegated authorities. The committee supported these proposals and recommended them to the Board, which subsequently approved them. The committee regularly reviews the Investment Policy to ensure it remains fit for purpose.

In its oversight role, the committee has over the year 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.

Other topics of discussion during the year have included the Investment Executive's approach to ESG, which is based on an assessment of companies' and managers' "licence to operate"; detailed reviews of composition and performance of the venture capital fund portfolio and the public equity portfolio; and an extended discussion of macro risks facing the portfolio. The committee has also given serious consideration to the proposed expansion of the Wellcome Genome Campus at Hinxton, including a site visit during the September meeting.

The 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 recognises that the investment environment has been extremely challenging this year and thanks the Investment Team for their dedication and effort in successfully navigating a difficult time and protecting the value of the endowment.

Richard Gillingwater
Chair of the Investment Committee
9 January 2023

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 2022.

At the end of August, we said farewell to Adèle Anderson, who retired from the committee, and thanked her for all her wise counsel and advice over the past six years, which has greatly contributed to Wellcome's mission. We welcomed Caroline Wehrle as our new external member on 1 December 2022, who adds her skills and experience to an already strong Audit and Risk Committee.

Overview of the year

In 2021/2022, the main activities of the committee included oversight and monitoring of the following:

- The programme to mature the risk and control framework and to embed Wellcome's new risk management framework.
- The internal audit opinion on the control environment, which informs the actions included in the programme to mature the risk and control framework.
- Update to the internal audit methodology, including reporting to key governance forums.
- The strategy implementation programme, including key milestones, major risks and monitoring the implementation dashboard.
- The investment systems and process programme, aimed at improving the robustness of investment reporting systems and increasing the quality of investment data available for management.
- Internal audit risk assessment, audit plan, outcomes from completed audits and management, progress on actions in response to findings.
- The corporate risk register, working with the Head of Risk to refine reporting on the management of key organisational risks.

The committee undertook deep dives on the following areas:

- Long-term and emerging risks for Wellcome.
- Culture, with a focus on creating a strong risk management culture throughout Wellcome.
- Approach to assessing the control environment, indicators of effective risk management and controls at Wellcome and management approach to attesting to their effectiveness.

Risk management

Considerable progress continues to be made to mature the risk and control framework at Wellcome and to ensure that a strong risk management culture is embedded throughout the organisation. The committee oversaw the successful delivery of the first tranche of a programme of improvements to embed Wellcome's new risk management framework. Deliverables included further clarity on levels of risk appetite; continued refinement to the corporate risk register; monitoring of significant emerging risks; the introduction of risk and controls self-assessments and department risk registers along with the introduction of an internally built risk management platform.

The corporate risk register continues to provide the committee with an effective view of current risks, actions and progress made to manage the largest risks facing the organisation. Significant progress continues to be made to address risks, especially those relating to operational effectiveness.

Our Speak Up culture continues to mature with a number of improvements, including new tools and a further internal awareness campaign planned for early 2023, and we believe that staff continue to see it as a trusted mechanism to raise concerns. We work closely with Protect around Speak Up to ensure we learn from best-practice. We also contribute to Protect's work, including for example helping to draft their guidance on avoiding retaliation in relation to whistleblowers', and we have established and lead the Charity Sector Speak Up Network.

Significant financial reporting issues, judgements or estimates

The use of assumptions or estimates and the application of management judgement is an essential part of financial reporting. In 2021/22, we focused on the following significant financial reporting matters:

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 Valuation Group were appropriate, noting that there were 5 investments where Management performed internal assessments of co-investor valuations and one investment without a co-investor where management prepared the valuation that was 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 Valuation Group were appropriate, noting the use of several external valuers 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 expected future rate of investment returns 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. Wellcome has the right to recognise the asset.
Non-charitable investment subsidiary undertakings held as part of the investment portfolio	Review of management's judgement in assessing which subsidiary undertakings 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 concluded that the valuation methodology and the valuations recommended by the Valuation Group were appropriate, noting that these entities are valued using external valuers, 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.

Financial reporting

At the December meeting each year, the committee reviews the Annual Report and Financial Statements (AR&FS) 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 recommendations to the committee. The committee also considers the overall tone of the AR&FS and related announcements, considering reputational risk and the messaging of the activities reported.

The committee recommended to the Board of Governors that the AR&FS 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 auditor throughout the year to discuss developments within the business and any impact on financial reporting.
- A thorough process of review, evaluation and verification of the Annual Report and Financial Statements is undertaken by senior management and staff with expertise across the organisation.

External audit

Oversight

At the June meeting each year, the committee discusses with the auditor the scope of their audit 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 and Premier Marinas), Hinxton Genome Campus and the other agricultural investment property assets
- the rate of discount selected to discount the grant liabilities
- management override of controls (a risk in any organisation)

In addition to the significant activities during the year, our interactions with the auditor included:

- consideration of their work and opinion relating to management judgements and estimation, including the related revised auditing standard
- discussion on the level of disclosure in the Annual Report to satisfy ourselves that it is appropriate
- meetings in private session during committee meetings, and at other times throughout the year, to discuss external and internal developments and issues

Audit quality and independence

The committee seeks to ensure the continued independence and objectivity of Wellcome's external auditor by reviewing the performance of the external auditor 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 independence and compliance with relevant requirements. The auditor was appointed for the year ending 30 September 2016 and have been reappointed for each subsequent year. Following the completion of five years of continuous engagement in the prior year, partner rotation has been completed and a new external audit partner undertook the engagement this year.

Non-audit services

The committee has approved a policy on any non-audit services provided by our external auditor, which takes into account the relevant regulations and directives.

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 the auditor remains independent and that the level and nature of any non-audit services is appropriate.

Internal audit

Wellcome has an in-house Internal Audit function which comprises 11 professionals. They are supported by external consultants (co-source partners), who provide specialist skills to supplement the in-house team. The Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee, and the committee directs and oversees the activities of the function. In February 2022, Ernest Ofei was appointed as the Head of Internal Audit, after acting as the Interim Head of Internal Audit for 11 months.

Internal Audit performs an independent and objective assurance function that is designed to add value to Wellcome's operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of Wellcome's risk management, control and governance processes.

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 2022/23 plan was endorsed by the committee during the September 2022 Audit and Risk Committee meeting. The plan is regularly reviewed and updated based on the organisation's decisions, business activities, industry trends, best practice and regulatory matters.

The Head of Internal Audit provides an update to the Audit and Risk Committee at each meeting, and more frequently as appropriate. Internal Audit also coordinates its operations with the activities of the external auditor for maximum effect.

In 2022, the Internal Audit methodology was updated to include a revised audit universe, new report ratings, management-identified issues and increased coverage of digital and technology through the performance of integrated audits. Furthermore, a culture audit was undertaken to obtain an understanding of how Wellcome promotes, monitors and assesses culture, and how the desired culture is being disseminated and adopted at the organisation. This will form the basis for culture ratings which will be introduced in reports from Q1 2023.

Wellcome's internal audit team also provides internal audit support for Wellcome's subsidiaries (Genome Research Ltd, Premier Marinas) and reports to their respective Audit and Risk Committees.

Amelia Fawcett
Chair of the Audit and Risk Committee
9 January 2023

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' or 'Charity') 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 2022 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 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. The non-audit services provided to the Group and Trust for the year are disclosed in note 10 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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, Hinxton Genome Campus and Urban and Civic (including Farmcare); • Valuation of unquoted investments relating to direct investments; and • The level of the Discount rate applied to the grant liability. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £346 million (2021: £362 million) which was determined on the basis of 1% (2021: 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 consolidated net assets, as well as any subsidiary that required a statutory audit. This meant that 99% of the Group's consolidated net assets were subject to a full scope audit for the year ended 30 September 2022. The Trust and the majority of the subsidiaries are based in the UK, with one subsidiary based in the United State which is not material to the Group.
Significant changes in our approach	• The portfolio of agricultural estates held by the Trust at year end have been excluded from the key audit matters for the current year, due to the reduction in value of the portfolio at year end relative to Trust's net assets. • BDO has not been considered a component auditor as we do not place reliance on the work performed by them for the purpose of testing the Urban and Civic valuation. • In the current year, Wellcome Trust Investments 2 Unlimited and Wellcome Trust Scottish Ltd Partnership were identified as full scope components. Wellcome Trust Residential 2 Limited is no longer a significant component due to the sale of underlying assets and the Group's plans to strike this entity off within the timeframe set out by the Companies Act 2006. 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' 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;
- 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; and
- evaluating the going concern and subsequent events disclosures in the financial statements for consistency with our understanding.

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, Hinxton Genome Campus and Urban and Civic (including Farmcare)	
Key audit matter description	The valuation of Premier Marinas, Hinxton Genome Campus and Urban and Civic (including Farmcare) involves significant judgement when determining the valuation methodology and the estimation of key inputs and assumptions. As a result of this degree of judgement, there is more potential for fraud or error in this area. Management engage external experts to prepare valuation reports for these assets. There are few comparable transactions for alternative real estate assets, such as marina assets or land with development potential similar to the scale of the Trust's holding, and therefore this increases the degree of estimation uncertainty when determining the fair value of these 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 and Civic; • the rate per acre for Farmcare; 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 material misstatement of the valuation of unquoted investments. The valuation of Premier Marinas, Hinxton Genome Campus, and Urban and Civic (including Farmcare) amounts to £1,595 million (2021: £1,317), which is 7.6% (2021: 7.2%) of the Group's unquoted investments, and 4.6% (2021: 3.7%) of the Group's net assets. In the current year, Farmcare was acquired by Urban and Civic, and has been included as a component within the Urban and Civic audit procedures to address the valuation of unquoted investments relating to controlled unconsolidated investments at a significant risk level in line with the prior year, and this has not impaccted our audit approach The December 2022 Audit and Risk Committee Report on page 91 identifies the valuation of non-charitable investment subsidiary undertakings 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 of the financial statements.
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 tested the relevant controls over management's assessment of the completeness and accuracy of the information received from external property managers during the year, where the Trust maintain operational oversight. • We tested the relevant controls over management's year end assessment of the external valuers' reports, including their challenge of the valuation methodology adopted, challenge of judgemental valuation inputs, and challenge of any changes to these year on year. • We also tested the review control performed by the Valuation Group over the valuation of investments at year end and the related disclosures in the financial statements.

5.1. Valuation of unquoted investments relating to controlled unconsolidated investments (Premier Marinas, Hinxton Genome Campus and Urban and Civic (including Farmcare)

How the scope of our audit responded to the key matter (continued)	**Substantive testing** • We obtained and inspected 30 September 2022 external valuation reports and assessed whether the valuation methodology for each was in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. We assessed the objectivity, competency and capabilities of the external valuers. For all of the assets, we compared 2022 and 2021 reports to identify any changes in methodology year on year and whether the methodology selected was appropriate; • We engaged our internal real estate specialists as part of our audit team to assess the external 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 and Civic, Farmcare and Hinxton genome Campus). We considered the possible effect of the rising cost of living and the wider macroeconomic volatility on market assumptions and stress tested key assumptions to understand their effect on the overall valuation; • For a sample of valuation models, with the assistance of our internal real estate specialists we recalculated the valuation models 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 and 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: 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 and passing rent used in the valuation ; • Specifically for Hinxton Genome Campus: we have obtained relevant supporting data for the planning permission and assessed 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 made by management by comparing them to actual results to assess management's ability to provide accurate estimates for all assets. We also back tested the accuracy of forecasts made by the external valuers and compared these to actual results, to assess the external valuers' ability to prepare accurate forecasts; • We engaged internal valuation specialists to assess whether the judgements made in valuation methodologies are indicative of a potential bias; and • We performed market analysis for contradictory evidence to challenge management on the conclusions reached.
Key observations	As a result of our procedures, we concluded that the valuations of Premier Marinas, Hinxton Genome Campus and Urban and Civic (including Farmcare) are within a reasonable range.

5.2. Valuation of unquoted investments relating to direct 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 the co-investor and are challenged by management through obtaining an understanding of the methodology applied and assumptions adopted. Additional scrutiny is also applied by the preparation of a shadow valuation for those investments deemed to be material by management, whereby management form 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 an external valuer is engaged to opine on the value of material direct investments. 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 the rising cost of living and the wider macroeconomic volatility on company performance and evaluating any discounts applied to businesses as a result. The valuation of the Group's investments in unquoted direct investments amount to £2,387 million (2021: £1,960 million) which is 11.3% (2021: 11.0%) of the Group's unquoted investments, and 6.9% (2021: 5.2%) of the Group's net assets. The Audit and Risk Committee Report on page 91 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 tested relevant controls over the valuation of the direct investments. • We tested the controls over management's oversight of external valuers, and over the application of valuation methodologies by the Valuation Group; and • We tested the review control performed by the Valuation Group over the valuation of investments at year end and the related disclosures in the financial statements.

5.2. Valuation of unquoted investments relating to direct investments	
How the scope of our audit responded to the key matter (continued)	**Substantive procedures** • For selected samples, we independently obtained and assessed the unquoted direct investments valuation statements, to determine whether the value agreed to that recorded by the Group in the financial statements; • We assessed the objectivity, competency and capabilities of the external valuers engaged by management; • 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 comparables and completeness of the basket used and incorporation of other evidence available; - challenging the valuation methodology adopted by management in their shadow valuations, and that adopted by the external valuers where engaged, and seeking to triangulate the valuations within a reasonable range; - 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 ongoing effects of Covid-19, the war in Russia and Ukraine and the wider macroeconomic volatiltiy 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 2022; - 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 2021 and 31 December 2021 valuation statement to the valuation as per the audited accounts which is usually at 31 December 2021; and - assessing contradictory evidence to challenge the appropriateness of valuation adopted, such as any recent or upcoming funding rounds or perfomance of quoted comparable companies. • We performed a standback assessment for the overall position of the direct investments to weigh up coorobrative and contradictory evidence to challenge the appropriateness of management's assumptions; • We engaged our internal fair value specialists as part of our audit team to assess the valuation of any direct investments that have been valued by an external valuer. We challenged the valuation methodology adopted, and the valuation inputs therein for reasonability; and test the valuation models for mathematical accuracy; and • We assess whether the judgements made in valuation methodologies are indicative of a potential bias.
Key observations	As a result of our procedures, we concluded that the valuations of the direct investments are within a reasonable range.

5.3. The level of the Discount rate applied to the grant liability

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 of £2,428 million (2021: £2,026 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 7.4% (2021: 7.0%). 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, is subjective, and could have a material impact on the discounted portion of the grant liabilities presented in the financial statements. The significant accounting estimate with respect to the discount rate is described in note 15 and on page 91 within the Audit and Risk Committee Report.
How the scope of our audit responded to the key matter	**Controls Assessment** We tested the relevant controls over the determination of the discount rate applied to the grant liability by the Board of Governors' and Investment Committee, and assessment 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 obtained management's grant discounting methodology paper and assessed the methodology used and the assumptions therein 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 obtained management's paper to the Investment Committee and challenged any year on year changes in methodology 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 engaged our internal fair value specialists as part of our audit team to provide research, analysis, and observations on historical market returns enable the audit team to determine a reasonable range for the discount rate. We specifically considered the possible effect of inflation, interest rates and the wider macroeconomic volatility on the inputs into the calculation, and whether the concluded discount rate fell between the reasonable range; • We also engaged our internal fair value specialists to perform a benchmarking exercise of the expected return against other large charitable trusts and endowment funds of similar size with a similar portfolio; and • We tested the arithmetical accuracy of the grant liabilities discounting workings to determine whether the grant liability was materially accurate and 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. We conclude that the discount rate is within a reasonable range.

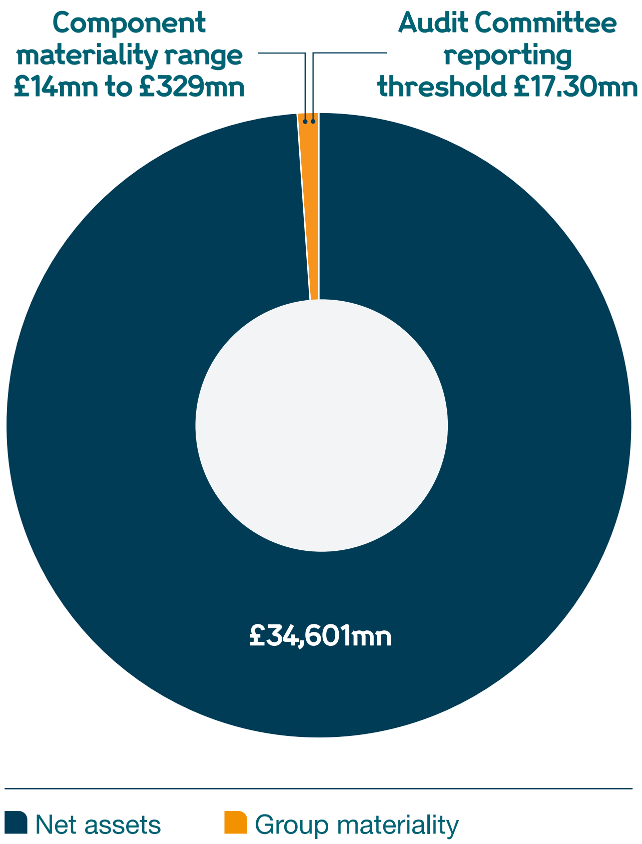
6. Our application of materiality

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	£346 million (2021: £362 million)	£329 million (2021: £344 million)
Basis for determining materiality	1% (2021: 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 that are classified as Public Interest Entities.	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 that are classified as Public Interest Entities.



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% (2021: 70%) of group materiality	70% (2021: 70%) of Trust 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.	

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 £17.3 million (2021: £18.1 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 legal 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 consolidated 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 a UK statutory 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% (2021: 99%) of the Group's consolidated 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% (2021: 95%) of the Group materiality. The lower band for component materiality is based on 40% (2021: 40%) of materiality. For those entities, both UK and US, that fall within Scope C, we perform an analytical review at a Group level. Wellcome Leap, which required a US statutory audit, has been audited by the component audit team in the US, and has been included in scope C due to its size after consolidation for the Group audit team's reporting.

7.2. Our consideration of the control environment

The Group's Information Technology ('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 engaged our IT specialists as part of our audit team to assess relevant controls and perform General IT Controls testing ("GITCs") for the current period over in-scope systems. Our testing 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 over key business processes, we adopted a controls reliance approach over the following business processes:

- Payroll business process
- Treasury business process
- Financial reporting business process
- Investment valuation business process covering:
  - Quoted investments and derivatives
  - Unquoted investments relating to controlled unconsolidated investments (Premier Marinas and Hinxton Genome Campus)
  - Unquoted investments (private equity, hedge funds and direct investments)
  - Investment property
  - Investment cash
- Grant liability business process (including the discount rate)
- Charitable expenditure business process
- General Information Technology Controls over key information systems.

7.3. Our consideration of climate-related risks

We obtained an understanding of management's process for considering the impact of climate-related risks, climate related reporting, and controls relevant to the Group audit. We conducted walkthroughs valuations, and financial reporting control process owners, and conducted meetings with key management personnel at the Trust who are responsible for climate-related risk and sustainability oversight and financial reporting for the Group. We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.

The Trust maintains a risk register which highlighted the need for visibility on and action against climate change. To achieve this, the Trust has set up a senior level steering group comprised of the Executive Leadership team, whose mission is to oversee the relevant scope 1, 2 and 3 financial reporting requirements over three key areas: the Sanger Institute, Investments, and the Charity, with the view to report on these as a whole in the coming years.

Page 42 of the annual report details the progress report of the plan to reach net zero by 2050 for the investment portfolio. This included a view on the current portfolio emissions, carbon footprint and targets. This was also linked into board decision making and the S172 statement, as well as the key challenges faced around achieving more comprehensive disclosure and uniform reporting of emissions.

The impact of climate-related risks is also embedded in the Investment Committee's investment strategy and the investment policy, and the redefinition of the Charity's grant funding schemes.

Our procedures performed included reading the climate-related disclosures in the front half of the annual report to consider if they are fair, balanced and comprehensive. Separately, we have involved our internal climate change and sustainability specialists who have assisted in reviewing the disclosures and in preparing recommendations to the Board of Governors, to enhance climate-related risk disclosures going forward.

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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 Trustee's

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 Trustee's 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 and key management personnel'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, real estate valuations, internal fair value 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, Hinxton Genome Campus and Urban and Civic (including Farmcare) and valuation of unquoted investments relating to unquoted direct 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, the Charities Commission, 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, Hinxton Genome Campus and Urban and Civic (including Farmcare); 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 provisions of 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, inspecting 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

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report;
- sufficient accounting records have not been kept by the Trust;
- the Group financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit;

We have nothing to report in respect of these matters.

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 7 years, covering the years ending 30 September 2016 to 30 September 2022.

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 and Risk 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 Jessica Hodges.

Deloitte LLP

Deloitte LLP (Senior Statutory Auditor)
Statutory Auditor
London, United Kingdom
9 January 2023

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as audit of a company under section 1212 of the Companies Act 2006.

Charity law requires that the audit report state that the auditor is eligible to act.

Financial Statements

Diving Maldives
Edoardo Delille and Giulia Piermartiri

As sea levels rise, the low-lying Maldives are predicted to be submerged by the end of the century. The government is working on solutions like barriers, and moving towards a net zero economy to promote sustainable living. To illustrate the future dangers, Edoardo Delille and Giulia Piermartiri projected tourist diving photos onto local scenes.

Image credit: Edoardo Delille and Giulia Piermartiri / Wellcome Photography Prize 2021

Consolidated Statement of Financial Activities

for the year ended 30 September 2022

	Note	Restricted funds £mn	Unrestricted funds £mn	**2022 £mn**	Restricted funds £mn	Unrestricted funds £mn	2021 £mn
Income from investments							
Dividends and interest	3	-	322.5	**322.5**	-	248.8	248.8
Rental income		-	43.4	**43.4**	-	37.6	37.6
		-	365.9	**365.9**	-	286.4	286.4
Charitable income							
Grants receivable	4(a)	28.9	-	**28.9**	24.1	-	24.1
Other charitable income	4(b)	4.2	103.3	**107.5**	41.8	58.0	99.8
Total income		33.1	469.2	**502.3**	65.9	344.4	410.3
Expenditure on raising funds							
Management fees and other investment costs	5(a)	-	(74.8)	**(74.8)**	-	(109.8)	(109.8)
Interest payable on bond liabilities		-	(76.3)	**(76.3)**	-	(76.5)	(76.5)
Expenditure on charitable activities	6	(35.4)	(1,302.3)	**(1,337.7)**	(65.6)	(1,113.5)	(1,179.1)
Total expenditure		(35.4)	(1,453.4)	**(1,488.8)**	(65.6)	(1,299.8)	(1,365.4)
Net realised and unrealised (losses)/gains on investments	15(f)	-	(1,037.7)	**(1,037.7)**	-	9,252.5	9,252.5
Net (expenditure)/income before taxation		(2.3)	(2,021.9)	**(2,024.2)**	0.3	8,297.1	8,297.4
Taxation	13	-	50.2	**50.2**	-	(10.4)	(10.4)
Net (expenditure)/income after taxation		(2.3)	(1,971.7)	**(1,974.0)**	0.3	8,286.7	8,287.0
Gains on defined benefit pension schemes	11(e)(iii)	-	314.7	**314.7**	-	151.8	151.8
Net movement in funds		(2.3)	(1,657.0)	**(1,659.3)**	0.3	8,438.5	8,438.8
Funds at start of year		19.8	36,240.8	**36,260.6**	19.5	27,802.3	27,821.8
Funds at end of year	20	17.5	34,583.8	**34,601.3**	19.8	36,240.8	36,260.6

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.

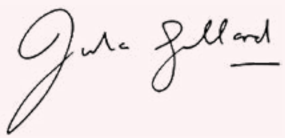
An analysis of the movement of funds in 2022 is shown in note 20.

Consolidated Balance Sheet

as at 30 September 2022

	Note	2022 £mn	2021 £mn
Tangible fixed assets	14(a)	**402.1**	412.5
Investment assets			
Quoted investments	15(a)	**13,550.8**	17,292.0
Unquoted investments	15(a)	**21,102.5**	18,814.3
Investment properties	15(a)	**1,671.1**	1,566.1
Derivative financial instruments	15(b)	**-**	30.8
Investment cash and certificates of deposit	15(c)	**3,377.8**	3,820.3
Other investment assets	15(c)	**580.0**	196.1
Programme related investments	15(d)	**60.7**	28.0
Total Fixed Assets		**40,745.0**	42,160.1
Current assets			
Stock		**9.9**	13.7
Debtors	16	**67.8**	51.3
Cash at bank and in hand		**33.7**	44.3
Total Current Assets		**111.4**	109.3
Creditors falling due within one year	17	**(1,509.5)**	(1,160.4)
Net current liabilities		**(1,398.1)**	(1,051.1)
Total assets less current liabilities		**39,346.9**	41,109.0
Creditors falling due after one year	17	**(4,720.6)**	(4,442.6)
Provision for liabilities and charges	18	**(106.3)**	(180.8)
Net assets excluding pension surpluses/deficits		**34,520.0**	36,485.6
Defined benefit pension scheme's surpluses/(deficits)	11(e)(iv)	**81.3**	(225.0)
Net assets including pension surpluses/deficits		**34,601.3**	36,260.6
Funds of the charity			
Restricted Funds	20	**17.5**	19.8
Unrestricted Funds	20	**34,583.8**	36,240.8
Total Funds		**34,601.3**	36,260.6

The Financial Statements on pages 108-170 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 9 January 2023 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 2022

	Note	2022 £mn	2021 £mn
Income from investments			
Dividends and interest	3	**310.5**	269.9
Rental income		**40.6**	36.1
		351.1	306.0
Charitable income			
Other charitable income	4(b)	**199.5**	25.7
Total income		**550.6**	331.7
Expenditure on raising funds			
Management fees and other investment costs	5(a)	**(74.3)**	(105.6)
Interest payable to group undertakings		**(28.0)**	(28.5)
Interest payable on bond liabilities		**(50.5)**	(41.8)
Expenditure on charitable activities	6	**(1,504.5)**	(1,062.5)
Total expenditure		**(1,657.3)**	(1,238.4)
Net realised and unrealised (losses)/gains on investments	15(f)	**(1,190.4)**	9,179.9
Net (expenditure)/income		**(2,297.1)**	8,273.2
Gains on defined benefit pension schemes	11(e)(iii)	**164.8**	84.4
Net movement in funds		**(2,132.3)**	8,357.6
Funds at start of year		**35,761.4**	27,403.8
Funds at end of year		**33,629.1**	35,761.4

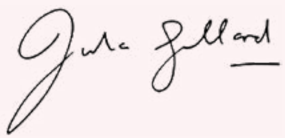
There are no gains or losses apart from those recognised above.
All income is derived from continuing activities. All funds are unrestricted.

Balance Sheet of the Trust

as at 30 September 2022

	Note	2022 £mn	2021 £mn
Tangible fixed assets	14(b)	**204.4**	208.2
Investment assets			
Quoted investments	15(a)	**12,920.2**	16,602.7
Unquoted investments	15(a)	**19,425.2**	17,014.5
Investment properties	15(a)	**1,489.1**	1,424.1
Derivative financial instruments	15(b)	**-**	30.8
Investment cash and certificates of deposit	15(c)	**3,376.1**	3,806.9
Other investment assets	15(c)	**575.9**	191.1
Subsidiary and other undertakings		**2,921.8**	2,899.4
Programme related investments	15(e)	**60.7**	28.0
Total fixed assets		**40,973.4**	42,205.7
Current assets			
Debtors	16	**211.3**	276.3
Cash at bank and in hand		**18.5**	29.6
Total current assets		**229.8**	305.9
Creditors falling due within one year	17	**(3,154.0)**	(2,559.8)
Net current liabilities		**(2,924.2)**	(2,253.9)
Total assets less current liabilities		**38,049.2**	39,951.8
Creditors falling due after one year	17	**(4,413.8)**	(4,001.7)
Provision for liabilities and charges	18	**(73.9)**	(96.9)
Net assets excluding pension surplus/deficit		**33,561.5**	35,853.2
Defined benefit pension scheme's surplus/(deficits)	11(e)(iv)	**67.6**	(91.8)
Net assets including pension surplus/deficit		**33,629.1**	35,761.4
Funds of the charity			
Unrestricted funds		**33,629.1**	35,761.4
Total Funds		**33,629.1**	35,761.4

The Financial Statements on pages 108-170 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 9 January 2023 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 2022

	Note	2022 £mn	2021 £mn
Net (expense)/income for the year (as per the Statement of financial activities)		**(1,659.3)**	8,438.8
Adjustments to exclude non-cash items and investment income and expenditure			
Increase in debtors	16	**(16.5)**	(21.8)
Increase/(Decrease) in stock		**3.8**	(2.7)
Increase in grant commitments	8	**266.4**	204.6
Decrease in creditors and provisions		**(395.1)**	(76.4)
Less unrealised gains on sale of Programme Related Investments	15(d)	**(32.9)**	(2.6)
Increase in net write down for Programme Related Investments	15(d)	**12.1**	12.5
(Increase)/Decrease in other investment debtors	15(c)	**(8.5)**	2.7
Depreciation and Disposals of Fixed Assets		**26.0**	24.4
Investment income		**(365.9)**	(286.4)
Bond interest		**76.3**	76.5
Net realised and unrealised loss/(gains) on investments		**1,037.7**	(9,252.5)
Net cash flows from operating activities		**(1,055.9)**	(882.9)

	Note	2022 £mn	2021 £mn
Cash flows from investing activities:			
Investment income received	22(a)	**354.5**	284.6
Proceeds from sales of investment assets	22(c)	**6,132.8**	8,575.0
Purchase of investment assets	22(c)	**(5,632.6)**	(7,306.9)
Purchase of tangible fixed assets	14(a)	**(15.5)**	(25.1)
Net cash (outflow)/inflow due to derivative financial instruments	22(c)	**(341.1)**	67.6
Net cash flows from investing activities		**498.1**	1,595.2
Cash flows from financing activities:			
Cash and debt acquired		**-**	746.8
Debt matured		**-**	(275.0)
Cash outflow for servicing of finance	22(b)	**(75.3)**	(77.4)
Net cash flows from financing activities		**(75.3)**	394.4
Change in cash and cash equivalents during the year		**(633.1)**	1,106.7
Cash and cash equivalents at the beginning of the year		**3,864.6**	2,726.5
Change in cash and cash equivalents due to exchange rate movements		**180.0**	31.4
Cash and cash equivalents at the end of the year		**3,411.5**	3,864.6

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 opposite:

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 with 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 47 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 Group's 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 is a financial measure of investment portfolio performance. It 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

Term	Explanation
Absolute return hedge funds	A hedge fund that aims to generate a stable return regardless of market performance (with low volatility)
Active grants	Grants which have been activated and are still being used. The value of active grants is the undiscounted total amount awarded, before deducting any amounts paid to date
Buy-out funds	A portion of the Investment portfolio invested in private funds which adopt a strategy of buying out companies and transforming their operations
Cash & Bonds	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 (corporate bonds and government gilts)
Charitable cash expenditure	Cash spent in year on charitable activities comprising Net cash flows from operating activities and cash flows from purchase of tangible fixed assets (see Consolidated Cash Flow Statement, page 112)
Directional hedge funds	A directional hedge fund maintains some exposure to the market without placing much emphasis on hedging market risk

Term	Explanation
Directly managed public equity	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 involve 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	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	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

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.

The 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 47–51

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;

(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 120.

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 119. 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).

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 plans. These are detailed in the Remuneration Report on page 82.

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 asset or 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 comprises:

(a) the increase in pension benefit liability arising from employee service during the period up to closure of the schemes to future accrual;

(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 Statement of Financial Activities.

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 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 including using price of recent investment, discounted cash flows and public comparable.
- Investment operating subsidiaries and joint ventures which are held as part of the investment portfolio, refer to the Basis of Consolidation on pages 115-116, 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

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 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. 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 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 is considered by the Audit and Risk Committee based on information prepared by Management, refer to Audit and Risk Committee Report (page 90).

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

Unquoted investments

Investment asset category	Value £mn	Valuation methodology	Estimations and assumptions
Direct investments which are reported within: • Direct Private and Private co-investments; and • Property in the Investment asset allocation, refer to Figure 6 on page 33)	 2,106 276	As noted in the Accounting Policies on page 115, these investments are valued at management's best estimate of fair value. For these investments fair value is estimated using a range/or combination of methodologies including price of recent investment, discounted cash flow analysis, public comparables and private comparable transactions.	The fair value of these direct investments is estimated noting there is uncertainty 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 £214 million and if increased to the top of the possible range this would increase unquoted balances by £276 million.

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

Investment asset category	Value £mn	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 33).	1,392	As noted in the Basis of Consolidation on pages 115-116 certain subsidiaries and joint ventures and associates are excluded from consolidation where the interest is held as part of the investment portfolio 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. There is also estimation uncertainty associated with the effect of climate change on the fair value assumptions. 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 £51.0 million (0.2%)
	Decrease of 1.0%	Increase by £72.1 million (0.3%)
Land values	Increase/decrease of 10%	Increase/decrease by £9.5 million (0.1%)
Land and house price growth	Decrease of 1.0%	Decrease by £29.4 million (-0.1%)
Development absorption rate	Decrease of 100 units per annum below peak	Decrease by £88.7 million (0.4%)
Construction costs rate per square foot	Increase/decrease of 5%	Decrease/increase by £16.1 million (0.1%)
Residential sales and rent rate per square foot	Increase/decrease of 5%	Increase/decrease by £9.8 million (0.1%)

Grant liabilities

Accounting methodology	Value £mn	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.	2,742	The discount rate used is 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 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 these below.

Estimate	Change in estimate	Impact on grant liabilities
Rate used to discount grant liabilities (2022: 7.4%, 2021: 7.0%)	Increase of 3.0% p.a.	Decrease by £157.6 million (-4.9%)
	Decrease of 3.0% p.a.	Increase by £180.8 million (5.6%)
Start delay (2022: 5 months, 2021: 5 months)	Decrease -2 months	Increase by £3.5 million (0.1%)
	Increase +2 months	Decrease by £4.3 million (-0.1%)
Retention delay (2022: 9 months, 2021: 7 months)	Decrease -3 months	Increase by £24.4 million (0.8%)
	Increase +3 months	Decrease by £23.9 million (-0.7%)
Weighted stretch delay (2022: 24%, 2021: 22%)	Decrease -5%	Increase by £25.2 million (0.8%)
	Increase +5%	Decrease by £24.5 million (-0.8%)

Start delay – average over the last 5 years, calculated using the start delay for grants started over the last 5 years (2018-2022). There will always be a start delay and +/- of 2 months is used for the analysis.

Retention delay – average over the last 5 years. Using this data the average came out as 9 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 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 £mn	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.	592	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 £62.2 million (10.5%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £36.7 million (6.2%)

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 115-116). 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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Dividends from UK equities	**63.6**	62.7	**63.6**	48.7
Dividends and interest from subsidiaries	**-**	-	**-**	44.8
Dividends from overseas equities	**201.2**	164.8	**189.8**	155.3
Income from unquoted investments	**49.8**	19.3	**49.3**	19.1
Interest from quoted investments	**-**	0.8	**-**	0.8
Interest on cash and cash deposits	**2.7**	-	**2.6**	-
Securities lending income	**5.2**	1.2	**5.2**	1.2
	322.5	248.8	**310.5**	269.9

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

4. Other income

(a) Grants receivable

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
	28.9	24.1	**-**	-

Grants receivable comprises awards to the Trust's subsidiary undertaking Genome Research Limited by other funders, including government grants of £2.9 million (2021: £6.6 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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
	107.5	99.8	**199.5**	25.7

Included in other charitable income for the Group is:

- £11.3 million (2021: £11.1 million) of proceeds arising from the sale during the year of programme-related investments, details of which are given in note 15 (d), and
- £4.2 million received by Genome Research Limited in relation to the Whole Genome Sequencing Project discussed in note 6.

Included in other charitable income for the Trust are Gift Aid donations received from subsidiary undertakings, totaling 2022: £152.6 million (2021: £13.1 million). This does not include gift aid received from Premier Marinas and Urban & Civic as these entities are held as part of the investment portfolio and their gift aid is accounted for as investment income. Details of significant group undertakings are given in note 21.

5. Management fees and other investment costs

(a) Total investment costs

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
External investment management fees	**37.1**	61.0	**37.0**	57.2
Internal investment administration	**31.0**	42.4	**30.8**	42.2
Investment support cost allocation	**6.7**	6.4	**6.5**	6.2
	74.8	109.8	**74.3**	105.6

The amount accrued for Long Term Incentive Plans included in the internal investments administration costs above was £9.4 million (2021: £27.7 million). Senior staff in the Investments team receive performance-based remuneration, as noted on page 84, 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 lower levels of outperformance than in the prior year (refer Public Equities section of the Review of Investment Activities page 34-35 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	
	2022	2021
£60,000-£69,999	**2**	4
£70,000-£79,999	**1**	1
£80,000-£89,999	**4**	1
£90,000-£99,999	**3**	2
£100,000-£109,999	**1**	3
£130,000-£139,999	**1**	1
£140,000-£149,999	**1**	3
£150,000-£159,999	**2**	4
£160,000-£169,999	**1**	-
£180,000-£189,999	**2**	-
£210,000-£219,999	**-**	1
£230,000-£239,999	**-**	1
£250,000-£259,999	**2**	1
£280,000-£289,999	**1**	-
£340,000-£349,999	**1**	1
£430,000-£439,999	**1**	-
£530,000-£539,999	**-**	1
£540,000-£549,999	**1**	-
£580,000-£589,999	**3**	-
£600,000-£609,999	**1**	-
£630,000-£639,999	**-**	1
£640,000-£649,999	**1**	-
£660,000-£669,999	**-**	2
£670,000-£679,999	**-**	1
£730,000-£739,999	**-**	1
£740,000-£749,999	**-**	1
£1,760,000-£1,769,999	**1**	-
£1,830,000-£1,839,999	**3**	-
£1,970,000-£1,979,999	**-**	1
£2,250,000-£2,259,999	**-**	1
£2,270,000-£2,279,999	**1**	-
£2,690,000-£2,699,999	**-**	1
£3,430,000-£3,439,999	**-**	1
£3,690,000-£3,699,999	**-**	1
£4,440,000-£4,449,999	**1**	-
£4,710,000-£4,719,999	**1**	-
£7,830,000-£7,839,999	**-**	1
£7,920,000-£7,929,999	**-**	1
	36	37

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.

These amounts include awards for which payment is deferred and subject to future investment performance.

6. Charitable activities

Group	Grant funding £mn	Direct £mn	Allocated support £mn	**Total 2022 £mn**
Discovery Research	599.9	181.1	44.0	**825.0**
Infectious Disease	274.6	12.4	7.7	**294.7**
Mental Health	32.9	5.2	2.6	**40.7**
Climate and Health	46.9	2.2	1.6	**50.7**
Cross-mission	13.0	48.8	31.1	**92.9**
Leap	-	57.8	4.3	**62.1**
	967.3	**307.5**	**91.3**	**1,366.1**
Effect of discounting of grant liability	(131.0)	-	-	**(131.0)**
Foreign exchange revaluation of grant liability	102.6	-	-	**102.6**
Total	**938.9**	**307.5**	**91.3**	**1,337.7**

This is the first year that Wellcome is reporting charitable activities against our new strategy, therefore prior year comparators cannot be presented in the same activities as this year.

Grant funding and direct charitable activities totalled £1,274.8 million. Support costs related to the grant funding activities of the Group included in the total allocated support costs are Discovery Research £33.8 million, Infectious Disease £7.4 million, Mental Health £2.2 million, Cross-mission £9.8 million, Leap £1.3 million.

Group	Grant funding £mn	Direct £mn	Allocated support £mn	**Total 2021 £mn**
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**

In the prior year 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 were Science £41.6 million, Innovations £7.6 million, Culture & Society £14.8 million and Priority Areas £9.0 million.

Charitable activities (continued)

Trust	Grant funding £mn	Direct £mn	Allocated support £mn	Total 2022 £mn
Discovery Research	698.5	14.0	20.4	**732.9**
Infectious Disease	274.6	12.4	7.7	**294.7**
Mental Health	32.9	5.2	2.6	**40.7**
Climate and Health	46.9	2.2	1.6	**50.7**
Cross-mission	22.4	48.1	31.1	**101.6**
Leap	250.0	-	1.3	**251.3**
	1,325.3	**81.9**	**64.7**	**1,471.9**
Effect of discounting of grant liability	(154.2)	-	-	**(154.2)**
Foreign exchange revaluation of grant liability	186.8	-	-	**186.8**
Total	**1,357.9**	**81.9**	**64.7**	**1,504.5**

Grant funding is higher in the Trust due to grants awarded to subsidiaries (see note 7). Grant funding and direct charitable activities totalled £1,407.1 million. Support costs related to the grant funding activities of the Trust included in the total allocated support costs are Discovery Research £20.0 million, Infectious Disease £7.3 million, Mental Health £2.2 million, Cross-mission £9.8 million, Leap £1.3 million.

Trust	Grant funding £mn	Direct £mn	Allocated support £mn	Total 2021 £mn
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**
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**

In the prior year 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 were 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 47-51 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 2022 totalled less than £10.0 million in value for each organisation. The institutions listed in the 2021 table are those institutions that received grants in excess of £10.0 million in 2021.

Grants no longer required includes £57.8 million awarded to African Academy of Sciences in previous years, that was transferred to Science for Africa Foundation in 2022.

Grants awarded (continued)

Group	Discovery Research £mn	Infectious Disease £mn	Mental Health £mn	Climate and Health £mn	Cross-mission £mn	Leap £mn	**Total 2022 £mn**
University of Oxford	126.9	13.5	6.1	1.5	0.7	-	**148.7**
The Francis Crick Institute	139.5	3.1	-	-	-	-	**142.6**
Coalition for Epidemic Preparedness Innovations (CEPI), Norway	-	109.6	-	-	-	-	**109.6**
University College London	58.7	0.1	-	0.7	1.2	-	**60.7**
Science for Africa Foundation (SFA), Kenya	-	57.8	-	-	-	-	**57.8**
Imperial College London	19.4	15.0	-	0.5	0.3	-	**35.2**
University of Cambridge	33.3	-	1.2	-	0.6	-	**35.1**
Boston University, USA	-	34.2	-	-	-	-	**34.2**
King's College London	23.5	-	1.3	-	0.4	-	**25.2**
London School of Hygiene & Tropical Medicine	17.7	1.3	-	0.8	2.4	-	**22.2**
University of Edinburgh	22.0	-	0.1	-	-	-	**22.1**
Global Health Innovative Technology Fund, Japan	-	17.2	-	-	-	-	**17.2**
University of Liverpool	5.2	4.0	6.9	0.5	-	-	**16.6**
Diamond Light Source Ltd	14.7	-	-	-	-	-	**14.7**
University of Glasgow	9.3	5.0	-	-	0.2	-	**14.5**
The Foundation for Scientific and Technological Development in Health, Brazil	1.4	8.0	-	4.8	-	-	**14.2**
University of Manchester	14.1	-	-	-	-	-	**14.1**
University of Exeter	13.2	-	-	-	0.1	-	**13.3**
University of Dundee	11.4	-	-	-	-	-	**11.4**
University of Sheffield	10.2	-	-	-	-	-	**10.2**
University of York	7.0	3.0	0.1	-	0.1	-	**10.2**
International Bank for Reconstruction and Development, USA	-	10.0	-	-	-	-	**10.0**
Grants to other organisations	91.4	58.8	17.4	38.1	7.8	-	**213.5**
Total grants (excluding grants no longer required)	**618.9**	**340.6**	**33.1**	**46.9**	**13.8**	**-**	**1,053.3**
Less: grants awarded in previous years no longer required	(19.0)	(66.0)	(0.2)	-	(0.8)	-	**(86.0)**
	599.9	**274.6**	**32.9**	**46.9**	**13.0**	**-**	**967.3**

Grants awarded (continued)

Group	Discovery Research £mn	Infectious Disease £mn	Mental Health £mn	Climate and Health £mn	Cross-mission £mn	Leap £mn	**Total 2022 £mn**
Grants awarded of which:							
United Kingdom	570.3	53.3	19.6	10.5	10.0	-	**663.7**
Directly funded international	29.6	221.3	13.3	36.4	3.0	-	**303.6**
Grants awarded by the Group	**599.9**	**274.6**	**32.9**	**46.9**	**13.0**	-	**967.3**

Trust	Discovery Research £mn	Infectious Disease £mn	Mental Health £mn	Climate and Health £mn	Cross-mission £mn	Leap £mn	**Total 2022 £mn**
Grants awarded by the Group	599.9	274.6	32.9	46.9	13.0	-	**967.3**
Plus: Grants awarded to subsidiary undertakings							
- Wellcome Sanger Institute	98.6	-	-	-	-	-	**98.6**
- Wellcome Trust gGmbH, Germany	-	-	-	-	9.4	-	**9.4**
- Wellcome Leap, USA	-	-	-	-	-	250.0	**250.0**
Grants awarded by the Trust	**698.5**	**274.6**	**32.9**	**46.9**	**22.4**	**250.0**	**1,325.3**

Grants awarded (continued)

Group	Science £mn	Innovations £mn	Culture & Society £mn	Priority Areas £mn	**2021 £mn**
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, USA	-	-	-	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**

Grants awarded (continued)

Group	Science £mn	Innovations £mn	Culture & Society £mn	Priority Areas £mn	**2021 £mn**
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 £mn	Innovations £mn	Culture & Society £mn	Priority Areas £mn	**2021 £mn**
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, USA	-	-	-	-	**-**
Grants awarded by the Trust	**714.5**	**104.1**	**43.1**	**102.4**	**964.1**

Further details of grants awarded by the Trust are published on the Trust's website: wellcome.org.

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 Ijeoma Uchegbu
– University College London

The following Governors do not hold Wellcome grants or supervise individuals with Wellcome grants, but have an interest in an organisation that is in receipt of Wellcome funding:

Julia Gillard
– Chair of the Global Institute for Women's Leadership, King's College London

Amelia Fawcett
– Chair, Royal Botanical Gardens Kew

8. Grants awarded but not yet paid

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Liabilities at 1 October	**2,476.1**	2,271.5	**2,653.8**	2,484.5
Grants awarded during the year	**967.3**	847.9	**1,325.3**	964.1
Grants paid during the year	**(672.5)**	(589.1)	**(850.2)**	(732.0)
Discounting of grant liabilities	**(131.0)**	(48.2)	**(154.2)**	(35.6)
Foreign exchange revaluation of grant liabilities	**102.6**	(6.0)	**186.8**	(27.2)
Liabilities as at 30 September	**2,742.5**	2,476.1	**3,161.5**	2,653.8
Of which:				
- falling due within one year (note 17)	**818.3**	823.2	**983.8**	879.7
- falling due after one year (note 17)	**1,924.2**	1,652.9	**2,177.7**	1,774.1
Liabilities as at 30 September	**2,742.5**	2,476.1	**3,161.5**	2,653.8

The total value of the grant liabilities discount for the year ended 30 September 2022 is £504.0 million (2021: £373.0 million) applying an expected nominal rate of investment return of 7.4% (2021: 7.0%).

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.

Environment and Workplace Services comprise an allocation of costs of the following teams; Internal Communications, People, Environment and Workplace Services, 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 £mn	Discovery Research £mn	Infectious Disease £mn	Mental Health £mn	Climate and Health £mn	Cross-mission £mn	Leap £mn	**Total 2022 £mn**	Allocation method
Funding administration	0.3	6.7	2.7	0.3	0.5	0.4	1.3	**12.2**	Expenditure/Directly attributed
Support of scientific research	-	23.1	-	-	-	-	-	**23.1**	Directly attributed
Operations	5.5	9.7	3.4	2.1	0.8	30.3	3.0	**54.8**	Headcount/Expenditure
Other	0.2	1.8	0.7	0.1	0.1	0.2	-	**3.1**	Expenditure
Governance costs	0.7	2.7	0.9	0.1	0.2	0.2	-	**4.8**	Expenditure/Directly attributed
	6.7	**44.0**	**7.7**	**2.6**	**1.6**	**31.1**	**4.3**	**98.0**	

Group	Costs of generating funds £mn	Science £mn	Innovations £mn	Culture & Society £mn	Priority Areas £mn	**Total 2021 £mn**	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**	

Support costs (continued)

Trust	Costs of generating funds £mn	Discovery Research £mn	Infectious Disease £mn	Mental Health £mn	Climate and Health £mn	Cross-mission £mn	Leap £mn	**Total 2022 £mn**	Allocation method
Funding administration	0.3	6.7	2.7	0.3	0.5	0.4	1.3	**12.2**	Expenditure/Directly attributed
Operations	5.5	9.7	3.5	2.0	0.8	30.3	-	**51.8**	Headcount/Expenditure
Other	0.2	1.8	0.7	0.1	0.1	0.2	-	**3.1**	Expenditure
Governance Costs	0.5	2.2	0.8	0.2	0.2	0.2	-	**4.1**	Expenditure/Directly attributed
	6.5	**20.4**	**7.7**	**2.6**	**1.6**	**31.1**	**1.3**	**71.2**	

Trust	Costs of generating funds £mn	Science £mn	Innovations £mn	Culture & Society £mn	Priority Areas £mn	**Total 2021 £mn**	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**	

10. Governance costs

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Governors' fees and expenses	**1.0**	1.0	**1.0**	1.0
Auditor's remuneration				
- parent company and consolidation	**0.7**	0.7	**0.7**	0.7
- audits of subsidiary undertakings	**0.6**	0.4	**-**	-
Internal audit	**2.2**	1.5	**2.1**	1.3
Other costs	**0.3**	-	**0.3**	-
	4.8	3.6	**4.1**	3.0

	Group		Trust	
Non-audit services split (excluding VAT)	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Bond issue	**-**	0.1	**-**	0.1
	-	0.1	**-**	0.1

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 Auditor Deloitte LLP relating to Premier Marinas Limited and Farmcare Limited of £0.2 million (2021: £0.3 million, audit fees relating to Premier Marinas Limited and Farmcare Trading Limited), excluding VAT and fees due to BDO LLP as Auditor of Urban & Civic of £0.5 million (2021: £0.3 million) excluding VAT, 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.

There were no additional fees for non-audit services payable to the Group's Auditor Deloitte LLP (2021: £0.1 million).

11. Employee information

(a) Employee benefits

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Remuneration and salary benefits	**138.8**	162.6	**75.4**	96.8
Social Security costs	**17.1**	13.0	**11.0**	7.4
Pension costs and other benefits	**18.5**	30.8	**8.7**	20.2
	174.4	206.4	**95.1**	124.4

Remuneration and salary benefits also includes termination payments, which were higher in the prior year due to the major redesign of the organisation (refer to 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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Redundancy	**0.1**	7.3	**(0.3)**	7.1
Other compensation	**-**	0.2	**-**	0.1
	0.1	7.5	**(0.3)**	7.2

(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	
	2022	2021
Trust	**879**	878
Subsidiary undertakings	**1,202**	1,187
Total for the Group	**2,081**	2,065
Analysed by		
Investments	**46**	46
Direct activities	**1,364**	1,350
Support	**671**	669
Total for the Group	**2,081**	2,065
Analysed by		
Investments	**46**	46
Direct activities	**370**	361
Support	**463**	471
Total for the Trust	**879**	878

60 PhD students (2021: 60) 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

The number of employees working on charitable activities of the Trust and its subsidiary undertakings (Genome Research Limited and Wellcome Leap, refer to Note 1(b) Basis of Consolidations, page 115) whose benefits fell within the following bands is shown in the table.

Benefits are defined as including salaries, bonuses, allowances (such as allowances for housing and moving for staff relocating internationally), salary paid in lieu of employer pension contributions, and termination payments, but excluding employer pension contributions and employer National Insurance Contributions.

Employees of Wellcome Leap receive benefits in US$ which have been converted into £ equivalent for this table. The value of these benefits (included in the Group) is affected by fluctuating US$: £ exchange rates throughout the year and from year to year.

Wellcome's policy is to pay staff at market median. A new pay structure to achieve this was implemented by the Trust in the prior 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, termination payments related to the major redesign of the organisation (refer to note 11(a)) in the prior year, and allowances related to staff joining Wellcome who relocated internationally, have all impacted the number of employees shown in the table.

The emoluments of the Director included in the table below totalled £538,041 (2021: £515,216).

Information relating to the Investment team staff are not included in this table but are shown separately in note 5(b).

Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 82-86.

The tables on the Remuneration Report on pages 83-86, together with the accompanying notes, form part of the audited Financial Statements.

	Group		Trust	
	2022	2021	**2022**	2021
£60,000-£69,999	**160**	166	**101**	84
£70,000-£79,999	**86**	108	**60**	64
£80,000-£89,999	**51**	52	**36**	36
£90,000-£99,999	**34**	34	**23**	27
£100,000-£109,999	**20**	28	**15**	23
£110,000-£119,999	**19**	20	**11**	14
£120,000-£129,999	**11**	18	**8**	16
£130,000-£139,999	**9**	17	**7**	11
£140,000-£149,999	**8**	7	**5**	5
£150,000-£159,999	**8**	11	**2**	5
£160,000-£169,999	**4**	7	**-**	6
£170,000-£179,999	**4**	8	**3**	6
£180,000-£189,999	**2**	6	**2**	6
£190,000-£199,999	**1**	3	**1**	3
£200,000-£209,999	**2**	7	**2**	5
£210,000-£219,999	**4**	3	**4**	3
£220,000-£229,999	**5**	1	**3**	1
£230,000-£239,999	**1**	1	**-**	1
£240,000-£249,999	**-**	2	**-**	2
£250,000-£259,999	**2**	2	**2**	2
£260,000-£269,999	**-**	2	**-**	2
£290,000-£299,999	**-**	1	**-**	1
£300,000-£309,999	**-**	1	**-**	1
£310,000-£319,999	**1**	1	**1**	1
£340,000-£349,999	**-**	1	**-**	1
£350,000-£359,999	**-**	1	**-**	-
£370,000-£379,999	**-**	2	**-**	1
£380,000-£389,999	**1**	1	**-**	-
£440,000-£449,999	**-**	1	**-**	1
£450,000-£459,999	**1**	-	**1**	-
£490,000-£499,999	**1**	-	**1**	-
£510,000-£519,999	**-**	1	**-**	1
£530,000-£539,999	**1**	-	**1**	-
£540,000-£549,999	**1**	-	**-**	-
£560,000-£569,999	**1**	-	**-**	-
£720,000-£729,999	**1**	-	**1**	-
	439	513	**290**	329

(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 £16.0 million (2021: £7.9 million) and are included within Pension costs and other benefits in note 11(a). No amounts were unpaid at the end of the year (2021: £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 ('the Plans'). Genome Research Limited made the decision during the prior year to cease further service accruals for existing members from 1st October 2021 and the Trust made the decision 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.

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.

The latest triennial actuarial valuation of the Wellcome Trust Pension Plan was carried out at 31 December 2019; the valuation showed that the plan is fully funded. The latest triennial actuarial valuation of the Genome Research Limited Pension Plan was carried out at 31 December 2021; the valuation showed that the plan is fully funded.

The amount of the surplus or deficit is subject to considerable variability because it depends on a valuation of assets and a range of actuarial assumptions impacting the liabilities. During the year, £nil deficit funding contributions were paid to the Plans (2021: £nil).

FRS102 requires discount rates to be based on corporate bond yields of an appropriate duration, regardless of actual investment strategy and investment returns expected by the Plans. This leads to a difference between the accounting and funding position under the triennial actuarial valuations.

In addition certain Wellcome Trust senior employees are members of an Unfunded Unapproved Retirement Benefit scheme 'UURBs'. 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	**2022 % per annum**	2021 % per annum	2020 % per annum
Inflation	**3.55**	3.35	3.10
Salary increases	**n/a**	3.85	3.60
Rate of discount	**5.00**	2.00	1.75
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.25**	3.20	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.55**	3.35	3.10
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	**2022 % per annum**	2021 % per annum	2020 % per annum
Inflation RPI	**3.50**	3.30	3.05
Inflation CPI	**3.15**	2.95	2.70
Salary increases	**N/A**	N/A	3.55
Rate of discount	**4.90**	2.00	1.75
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.20**	3.15	3.05
Allowance for pension in payment increase of CPI or 3% p.a. if less	**2.20**	2.30	2.95
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.50**	3.30	2.15
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

The assumptions adopted to calculate the Defined Benefit Obligation as at 30 September 2022 included were derived based on the expectation that RPI will increase in line with CPIH from 2030.

The Wellcome Trust and Genome Research Limited defined benefit pension plans have actuarial assumptions based on their respective durations of 19 and 22 years respectively.

The mortality assumptions adopted imply the following life expectancies in years:

	2022	2021
Male retiring at age 60 in 2021	**26.8**	26.8
Female retiring at age 60 in 2021	**28.8**	28.7
Male retiring at age 60 in 2041	**28.3**	28.3
Female retiring at age 60 in 2041	**30.3**	30.3

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 2021 projections and a 1.25% 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		Post-retirement medical benefits		Total	
Group	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Current service cost	**9.1**	27.6	**0.6**	0.6	**-**	-	**9.7**	28.2
Expenses	**0.7**	0.6	**-**	-	**-**	-	**0.7**	0.6
Interest on pension schemes' liabilities	**4.4**	6.4	**0.4**	0.4	**-**	-	**4.8**	6.8
Gains on Curtailments	**(9.5)**	(11.4)	**-**	-	**-**	-	**(9.5)**	(11.4)
Actuarial (gains)/losses	**(306.4)**	(152.0)	**(8.3)**	(0.4)	**-**	-	**(314.7)**	(152.4)
Total charge to the Statement of Financial Activities	**(301.7)**	(128.8)	**(7.3)**	0.6	**-**	-	**(309.0)**	(128.2)

	Pension funds		Unfunded, unapproved scheme liabilities		Post-retirement medical benefits		Total	
Trust	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Current service cost	**9.1**	12.1	**0.6**	0.6	**-**	-	**9.7**	12.7
Expenses	**0.4**	0.3	**-**	-	**-**	-	**0.4**	0.3
Interest on pension schemes' liabilities	**1.7**	2.9	**0.4**	0.4	**-**	-	**2.1**	3.3
Gains on Curtailments	**(9.5)**	-	**-**	-	**-**	-	**(9.5)**	-
Actuarial (gains)/losses	**(156.5)**	(84.7)	**(8.3)**	(0.4)	**-**	-	**(164.8)**	(85.1)
Total charge to the Statement of Financial Activities	**(154.8)**	(69.4)	**(7.3)**	0.6	**-**	-	**(162.1)**	(68.8)

(e) Retirement benefits (continued)

(iv) Present values of pension schemes' liabilities, fair value of assets and surplus/(deficit)

	Assets		Liabilities		Surplus/(Deficit)	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Wellcome Trust Pension Plan	**361.5**	419.1	**(293.9)**	(510.9)	**67.6**	(91.8)
Genome Research Limited Pension Plan	**295.7**	342.5	**(282.0)**	(475.7)	**13.7**	(133.2)
Total pension plans	**657.2**	761.6	**(575.9)**	(986.6)	**81.3**	(225.0)
Wellcome Trust unfunded, unapproved scheme liabilities	**-**	-	**(15.7)**	(23.4)	**(15.7)**	(23.4)
Wellcome Trust Post-retirement medical benefits	**-**	-	**(0.6)**	(0.8)	**(0.6)**	(0.8)
Total other retirement benefits	**-**	-	**(16.3)**	(24.2)	**(16.3)**	(24.2)
Total pension liabilities	**657.2**	761.6	**(592.2)**	(1010.8)	**65.0**	(249.2)

In the current year the funded status of both Plans is a surplus, an asset ceiling has been applied reflecting that any surplus can be used by the Plans at the discretion of the Plans Trustees.

(v) Reconciliation of opening and closing balances of the present value of the pension plans' liabilities as at 30 September

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Plans' liabilities at start of year	**986.6**	981.2	**510.9**	507.7
Current service cost	**9.1**	27.6	**9.1**	12.1
Expenses	**0.7**	0.6	**0.4**	0.3
Interest cost	**19.6**	17.2	**10.1**	8.9
Contributions by scheme participants	**0.2**	0.3	**0.2**	0.3
Actuarial (gains)/losses	**(420.5)**	(21.3)	**(220.0)**	(12.7)
Benefits paid and death-in-service insurance premiums	**(10.3)**	(7.6)	**(7.3)**	(5.7)
Gains on Curtailments	**(9.5)**	(11.4)	**(9.5)**	-
Plans' liabilities at end of year	**575.9**	986.6	**293.9**	510.9

(e) Retirement benefits (continued)

2022 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 £62.2m (10.5%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	N/A
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £36.7m (6.2%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £10.7m (1.8%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £4.1m (0.7%)

Trust Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £32.5m (10.5%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	N/A
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £19.2m (6.2%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £5.6m (1.8%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £2.2m (0.7%)

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 £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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Fair value of plan assets at start of year	**761.6**	614.4	**419.1**	339.7
Expected return on plan assets	**15.2**	10.8	**8.4**	6.0
Actuarial (losses)/gains	**(114.1)**	130.7	**(63.5)**	72.0
Contributions by the Group employers	**4.6**	13.0	**4.6**	6.8
Contributions by scheme participants	**0.2**	0.3	**0.2**	0.3
Benefits paid and death-in-service insurance premiums	**(10.3)**	(7.6)	**(7.3)**	(5.7)
Fair value of plan assets at end of year	**657.2**	761.6	**361.5**	419.1

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	**2022 £mn**	2021 £mn	2020 £mn	2019 £mn	2018 £mn
Fair value of plans' assets	**657.2**	761.6	614.4	569.6	526.0
Present value of plans' liabilities	**(575.9)**	(986.6)	(981.2)	(941.4)	(728.2)
Surplus/(deficit) in scheme	**81.3**	(225.0)	(366.8)	(371.8)	(202.2)
Experience adjustment on plans' assets	**(114.1)**	130.7	25.1	13.7	34.9
Experience adjustment on plans' liabilities	**(66.1)**	7.8	(1.8)	(0.9)	(1.3)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan's liabilities	**486.6**	13.5	2.6	(171.0)	22.4

Trust	**2022 £mn**	2021 £mn	2020 £mn	2019 £mn	2018 £mn
Fair value of plans' assets	**361.5**	419.1	339.7	316.7	295.0
Present value of plans' liabilities	**(293.9)**	(510.9)	(507.7)	(485.5)	(383.3)
Surplus/(deficit) in scheme	**67.6**	(91.8)	(168.0)	(168.8)	(88.3)
Experience adjustment on plans' assets	**(63.5)**	72.0	14.1	7.7	19.7
Experience adjustment on plans' liabilities	**(17.3)**	3.9	(3.3)	(0.2)	(0.8)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan's liabilities	**237.3**	8.8	(1.2)	(85.0)	10.7

(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 2022 is £0.2 million (2021: £5.4 million), which includes £nil (2021: £nil) of deficit funding, noting the decision taken 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 2022 is £nil million (2021: £nil million), which includes £nil (2021: £nil) of deficit funding, noting the cessation of future service accruals from 1 October 2022.

12. Remuneration of Governors

Information on Governors' remuneration is included in the Remuneration Report on page 83.

13. Taxation

Group	2022 £mn	2021 £mn
(a) Current Tax		
UK Corporation Tax on profits for the year	**10.5**	-
Adjustments in respect of prior periods	**(0.2)**	(0.4)
UK corporation tax on CFC deemed income	**0.1**	0.3
Total current tax	**10.4**	(0.1)
(b) Deferred Tax		
Origination and reversal of timing differences	**(56.0)**	(11.5)
Adjustments in respect of prior periods	**(0.6)**	-
Effect of change in UK tax rate	**(4.0)**	22.0
Total deferred tax	**(60.6)**	10.5
Taxation	**(50.2)**	10.4

Group	2022 £mn	2021 £mn
(c) Reconciliation of Tax Charge		
Profit/(loss) on ordinary activities before taxation on subsidiaries subject to taxation	**(123.3)**	18.6
Profit/(loss) before tax multiplied by average standard rate of corporation tax of 19.0% (2021: 19.0%)	**(23.4)**	3.5
Effects of:		
Income not subject to tax	**(20.1)**	(38.8)
Expenses not deductible for tax purposes	**-**	2.0
Gift aid donation paid	**(5.6)**	3.9
Temporary differences:		
Current year Gift Aid	**-**	(30.2)
Chargeable gains/(losses)	**-**	12.3
Movement in deferred tax not recognised	**(3.0)**	7.4
Adjustments to tax charge in respect of previous periods - deferred tax	**0.5**	0.1
Group income	**(0.3)**	-
Tax apportioned on CFC profits	**0.1**	0.3
Remeasurement of deferred tax for changes in tax rates	**(14.0)**	16.8
Expenses not deductible for tax purposes	**15.8**	33.4
Adjustments to tax charge in respect of previous periods	**(0.2)**	(0.4)
Utilisation of tax losses carried back	**-**	0.1
Taxation	**(50.2)**	10.4

The UK corporation tax rate for the period was 19%, and is due to rise to 25% as of 1 April 2023.

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. As the incoming corporation tax rate of 25% is substantially enacted, deferred tax continues to be recognised at 25%.

The estimated cost of irrecoverable Value Added Tax suffered by the Group in the year was £24.5 million (2021: £21.4 million).

14. Tangible fixed assets

(a) Group

	Freehold land and buildings £mn	Long leasehold land and buildings £mn	Other plant, equipment, fixtures and fittings £mn	Assets in course of construction £mn	**Total £mn**
Cost as at 1 October 2021	480.4	1.5	290.3	8.3	**780.5**
Additions	-	-	6.6	8.9	15.5
Transfers	-	-	6.3	(6.3)	-
Disposals	-	-	(5.4)	(1.1)	(6.5)
Cost as at 30 September 2022	**480.4**	**1.5**	**297.8**	**9.8**	**789.5**
Accumulated depreciation as at 1 October 2021	147.4	1.5	219.0	-	**367.9**
Charge for the year	9.0	-	15.9	-	24.9
Transfers	-	-	-	-	-
Disposals	-	-	(5.4)	-	(5.4)
Accumulated depreciation as at 30 September 2022	**156.4**	**1.5**	**229.5**	**-**	**387.4**
Net Book Value as at 30 September 2022	**324.0**	**-**	**68.3**	**9.8**	**402.1**
Net Book Value as at 30 September 2021	333.0	-	71.3	8.3	**412.6**

(b) Trust

	Freehold land and buildings £mn	Long leasehold land and buildings £mn	Other plant, equipment, fixtures and fittings £mn	Assets in course of construction £mn	**Total £mn**
Cost as at 1 October 2021	232.7	1.5	132.4	3.1	**369.7**
Additions	-	-	1.1	3.8	4.9
Transfers	-	-	4.2	(4.2)	-
Disposals	-	-	(3.1)	-	(3.1)
Cost as at 30 September 2022	**232.7**	**1.5**	**134.6**	**2.7**	**371.5**
Accumulated depreciation as at 1 October 2021	75.0	1.5	85.0	-	**161.5**
Charge for the year	3.8	-	4.9	-	8.7
Transfers	-	-	-	-	-
Disposals	-	-	(3.1)	-	(3.1)
Accumulated depreciation as at 30 September 2022	**78.8**	**1.5**	**86.8**	**-**	**167.1**
Net Book Value as at 30 September 2022	**153.9**	**-**	**47.8**	**2.7**	**204.4**
Net Book Value as at 30 September 2021	157.7	-	47.4	3.1	**208.2**

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 2021 £mn	Purchases £mn	Sales proceeds £mn	Total gains/ (losses) £mn	**Fair value 30 September 2022 £mn**
Total quoted investments	17,292.0	1,830.5	(3,216.8)	(2,354.9)	**13,550.8**
Total unquoted investments	18,814.3	3,762.4	(2,888.2)	1,414.0	**21,102.5**
Total investment properties	1,566.1	32.9	(22.7)	94.8	**1,671.1**
Total	37,672.4	5,625.8	(6,127.7)	(846.1)	**36,324.4**

Trust	Fair value 1 October 2021 £mn	Purchases £mn	Sales proceeds £mn	Total gains/ (losses) £mn	**Fair value 30 September 2022 £mn**
Total quoted investments	16,602.7	1,830.5	(3,216.8)	(2,296.2)	**12,920.2**
Total unquoted investments	17,014.5	3,732.8	(2,627.5)	1,305.4	**19,425.2**
Total investment properties	1,424.1	23.9	(22.8)	63.9	**1,489.1**
Total	35,041.3	5,587.2	(5,867.1)	(926.9)	**33,834.5**

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 £1,042.3 million (2021: £1,105.0 million) and the Group held £1,088.2 million (2021: £1,155.5 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 £2.3 million (2021: £96.4 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 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 of £16.8 million (2021: £96.4 million); and
- received sales proceeds, including the sale of Point A Hotels, of £128.1 million (2021: £65.4 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, Strutt & Parker and Cushman & Wakefield.

b) Derivative financial instruments

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Derivative financial instrument asset positions	**-**	30.8	**-**	30.8

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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Investment cash and certificates of deposit	**3,377.8**	3,820.3	**3,376.1**	3,806.9
Cash collateral held	**133.6**	128.7	**133.6**	128.7
Accrued income from investments	**11.8**	9.2	**9.1**	6.9
Income receivable	**48.0**	37.4	**47.9**	37.2
Proceeds receivable on sale of investments	**8.2**	11.3	**8.2**	11.3
Other investment debtors	**18.0**	9.5	**16.7**	7.0
Cash collateral posted with counterparties	**360.4**	-	**360.4**	-
Other investments assets	**580.0**	196.1	**575.9**	191.1

Other investment assets includes cash collateral posted with counterparties relating to derivative financial instrument liabilities (refer to note 17).

(d) Programme-related investments

Group	Book value 1 October 2021 £mn	Purchases £mn	Disposals £mn	Net write-downs £mn	Unrealised Gains	**Book value 30 September 2022 £mn**
Loans – other	-	1.6	-	(1.6)	-	**-**
Loans	-	1.6	-	(1.6)	-	**-**
Equities – Diamond Light Source	-	3.0	-	(3.0)	-	**-**
Equities – MSD-Wellcome Trust Hilleman Laboratories	-	3.0	-	(3.0)	-	**-**
Equities – other	28.0	-	(1.9)	1.7	32.9	**60.7**
Equities	28.0	6.0	(1.9)	(4.3)	32.9	**60.7**
Revenue share – other	-	6.2	-	(6.2)	-	**-**
Revenue share	-	6.2	-	(6.2)	-	**-**
Total	**28.0**	**13.8**	**(1.9)**	**(12.1)**	**32.9**	**60.7**

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.

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 direct expenditure.

AMR Action Fund

The Trust has committed to a £50 million programme-related investment into the AMR Action Fund, an impact investment fund established to support late-stage antibiotic development. At each capital call funds will be provided in exchange for equity. The drawn down capital is included in the equities balance. Under the shareholding agreement, there is no intrinsic value in the equity and the cost has therefore been fully written down and reflected within direct expenditure.

Other

The Trust has provided funding to 101 (2021: 98) 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 33) £1,942.4 million (2021: £3,368.1 million) is the sum of the fair value of the bond liabilities and the accrued interest on these liabilities. The fair value of these bond liabilities has increased since the reporting date to £2,080.6 million as at 6 January 2023.

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 2022

	Level 1 £mn	Level 2 £mn	Level 3 £mn	**Total £mn**
Quoted investments	13,550.8	-	-	**13,550.8**
Unquoted investments	-	5,691.2	15,411.7	**21,102.9**
Derivative financial instruments asset positions	-	-	-	**-**
Programme related investments	60.7	-	-	**60.7**
	13,611.5	5,691.2	15,411.7	**34,714.4**

Assets at fair value as at 30 September 2021

	Level 1 £mn	Level 2 £mn	Level 3 £mn	**Total £mn**
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**

(e) Fair value of financial assets and liabilities (continued)

Liabilities at fair value as at 30 September 2022

	Level 1 £mn	Level 2 £mn	Level 3 £mn	**Total £mn**
Derivative financial instruments liabilities	-	363.1	-	**363.1**

Liabilities at fair value as at 30 September 2021

	Level 1 £mn	Level 2 £mn	Level 3 £mn	**Total £mn**
Derivative financial instruments liabilities	-	6.0	-	**6.0**

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	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Quoted investments	15(a)	**(2,354.9)**	2,512.3	**(2,296.2)**	2,702.2
Unquoted investments	15(a)	**1,414.0**	6,331.3	**1,305.4**	6,170.4
Investment properties	15(a)	**94.8**	293.5	**63.9**	297.9
Derivative financial instruments					
Currency overlay		**(369.2)**	24.9	**(369.2)**	24.9
Other derivative financial instruments		**0.5**	39.6	**0.5**	39.6
Shares in subsidiary undertakings		**-**	-	**(2.1)**	(113.1)
Short term investments		**4.3**	0.6	**4.3**	0.4
Foreign exchange losses on monetary assets		**180.0**	31.4	**110.2**	38.7
Foreign exchange losses on bond liabilities		**(7.2)**	18.9	**(7.2)**	18.9
		(1,037.7)	9,252.5	**(1,190.4)**	9,179.9

(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	**2022 £mn**	2021 £mn
Quoted investments	15(a)	**13,550.8**	17,292.0
Unquoted investments	15(a)	**21,102.5**	18,814.3
Investment property	15(a)	**1,671.1**	1,566.1
Derivative financial instrument asset positions	15(b)	**-**	30.8
Investment cash and certificates of deposit	15(c)	**3,377.8**	3,820.3
Other investment assets	15(c)	**580.0**	196.1
Programme-related investments	15(d)	**60.7**	28.0
Investment assets as presented in the Financial Review		**40,342.9**	41,747.6
Derivative financial instrument liabilities	17	**(363.1)**	(6.0)
Amount payable on acquisition of investments	17	**(8.6)**	(1.6)
Cash collateral creditor	17	**(133.6)**	(128.7)
Deferred income from investments	17	**(8.4)**	(6.7)
Other investment liabilities	17	**(22.7)**	(26.3)
Total investment assets		**39,806.5**	41,578.3
Bond liabilities at amortised cost falling due within one year	17	**(28.4)**	(29.0)
Bond liabilities at amortised cost falling due between one and five years	17	**(348.7)**	-
Bond liabilities at amortised cost falling due after five years	17	**(2,430.4)**	(2,770.3)
Total interest bearing liabilities		**(2,807.5)**	(2,799.3)
Total investment assets		**39,806.5**	41,578.3
Total interest bearing liabilities		**(2,807.5)**	(2,799.3)
Adjusted for:			
Restatement of bond liabilities to fair value		**865.0**	(568.8)
Programme-related investments not in investment asset allocation	15(d)	**(60.7)**	(28.0)
Other investments not in asset allocation		**2.9**	0.6
Total assets net of Bond liabilities per Figure 6		**37,806.2**	38,182.8

Other investments not in asset allocation relate to programme-related investments and unquoted investments held by Genome Research Limited.

	2022	2021
Leverage (Total interest bearing liabilities/Total investment assets)	**7.1%**	6.7%

16. Debtors

	Group		Trust	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn
Amounts owed by subsidiary undertakings	**-**	-	**203.5**	270.2
Other debtors	**12.1**	19.3	**1.4**	1.7
Prepayments and accrued income	**55.7**	32.0	**6.4**	4.4
	67.8	51.3	**211.3**	276.3

Amounts owed by subsidiary undertakings are repayable on demand and charged interest at the overnight bank deposit rate.

17. Creditors

		Group		Trust	
	Note	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Falling due within one year					
Amounts owed to subsidiary undertakings		**-**	-	**1,551.8**	1,417.5
Grant liabilities	8	**818.3**	823.2	**983.8**	879.7
Bond liabilities		**28.4**	29.0	**23.6**	24.2
Amount payable on acquisition of investments		**8.6**	1.6	**8.6**	1.6
Cash collateral creditor		**133.6**	128.7	**133.6**	128.7
Deferred income from investments		**8.4**	6.7	**7.5**	6.5
Derivative financial instrument liabilities		**363.1**	6.0	**363.1**	6.0
Other investment liabilities		**22.7**	26.3	**20.5**	23.4
Trade creditors		**17.2**	27.5	**11.0**	4.1
Other creditors		**38.7**	58.5	**36.1**	55.1
Accruals and deferred income		**59.4**	52.3	**14.4**	13.0
Corporation tax		**11.1**	0.6	**-**	-
Total falling due within one year		**1,509.5**	1,160.4	**3,154.0**	2,559.8
Falling due between one and five years					
Grant liabilities	8	**1,654.4**	1,485.5	**1,907.9**	1,606.7
Other creditors		**-**	2.8	**-**	-
Lease premium creditor		**1.6**	2.1	**-**	-
Bond liabilities		**348.7**	-	**348.7**	-
		2,004.7	1,490.4	**2,256.6**	1,606.7
Falling due after five years					
Grant liabilities	8	**269.8**	167.4	**269.8**	167.4
Lease premium creditor		**15.7**	14.5	**-**	-
Bond liabilities		**2,430.4**	2,770.3	**1,887.4**	2,227.6
		2,715.9	2,952.2	**2,157.2**	2,395.0
Total falling due after one year		**4,720.6**	4,442.6	**4,413.8**	4,001.7

18. Provisions for liabilities and charges

Group	Deferred tax £mn	Employment related provisions £mn	Other provisions £mn	**Total £mn**
As at 1 October 2021	81.3	96.1	3.4	180.8
Charge for the year	(52.0)	(45.6)	0.9	(96.7)
Utilised in year	-	22.2	-	22.2
As at 30 September 2022	**29.3**	**72.7**	**4.3**	**106.3**

Trust	Employment related provisions £mn	Other provisions £mn	**Total £mn**
As at 1 October 2021	92.0	4.9	96.9
Charge for the year	(45.7)	0.5	(45.2)
Utilised in year	22.2	-	22.2
As at 30 September 2022	**68.5**	**5.4**	**73.9**

The employment-related provisions relates to long-term incentive plans for certain employees in the Investment team (refer note 5(a)) and unfunded unapproved retirement benefit schemes (refer to note 11(e)(ii)).

Long-term incentive plans vest over 5 year periods and then can be exercised at the employee's discretion for up to 25 years.

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 £6.2 billion (2021: restated £2.8 billion). The Trust models its expected cash flows based on the year of the original commitment and historic trends. The Trust expects to invest £1.9 billion (30.1%) of the outstanding commitments in one year, £2.8 billion (44.2%) in between one and five years and £1.6 billion (25.7%) 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 £49.4 million (2021: £53.5 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

The Trust has committed to a £50.0 million programme-related investment into the AMR Action Fund, an impact investment fund established to support antibiotic development. Drawdowns of £3.0 million have been made to date and therefore the outstanding commitment amounted to £47.0 million (2021: £50.0 million), which is included in the £49.4 million noted above.

The Trust has committed to fund 14% of the operating capital of Diamond Light Source Limited. The outstanding commitment amounted to £0.2 million (2021: £6.0 million).

During the year, the Trust incurred £3.0 million (2021: £2.5 million) in expenditure relating to an entity in India, MSD-Wellcome Trust Hilleman Laboratories. The outstanding commitment amounted to £13.3 million (2021: £16.2 million).

(d) Grant funding activities

In prior years, Wellcome has made Seeding Drug Discovery grants of £172.9 million, of which £172.6 million has been included in grant expenditure in current and prior financial years. The remaining £0.3 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 £80.2 million for expenditure relating to Wellcome Trust-DBT India Alliance. Subject to appropriate approval, the Trust will contribute up to £8.0 million over the next year.

During the year, Wellcome incurred £0.3 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 global health trials in low and middle-income countries. Subject to review and approval of appropriate costed extensions, Wellcome may contribute up to a further £2.9 million over the next year.

During the year, Wellcome incurred £1.9 million in expenditure 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 costed extensions Wellcome may contribute up to £0.8 million over the next year.

Wellcome has not incurred any 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 may contribute up to £0.9 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.

(d) Grant funding activities (continued)

£34.2 million was committed during the year and subject to review and approval of appropriate applications, the Trust will contribute up to £26.8 million over the next two years.

(e) Capital Commitments

In the current year, Wellcome and Genome Research Limited had commitments contracted and not provided for of £5.7 million (2021: £54.2 million) and £28.1 million (2021: £3.0 million) respectively. These relate to refurbishment of investment properties and Wellcome Genome Campus redevelopment.

20. Movement in Charity Funds

Group	Balance as at 1 October 2021 £mn	Income £mn	Expenditure £mn	Net investment gains £mn	Balance as at 30 September 2022 £mn
Restricted Funds	19.8	33.1	(35.4)	-	**17.5**
Unrestricted Funds	36,240.8	469.2	(1088.5)	(1,037.7)	**34,583.8**
Total Charity Funds	36,260.6	502.3	(1,123.9)	(1,037.7)	**34,601.3**

Group	Balance as at 1 October 2020 £mn	Income £mn	Expenditure £mn	Net investment gains £mn	Balance as at 30 September 2021 £mn
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**

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 is the sole member
Wellcome Leap Inc.	100%	N/A	United States of America	The Wellcome Trust Limited is the sole member
Gower Place Investments Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08594660	England	The Wellcome Trust Limited is sole holder of ordinary non-voting shares and Class B preference shares
North London Ventures Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08226374	England	The Wellcome Trust Limited is sole holder of ordinary non-voting shares and Class B preference shares
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.

(a) Summary of activities of significant subsidiary undertakings (continued)

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
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

The Trust has taken advantage of an exemption from audit available under 480 of the Companies Act 2006 for the following subsidiary which is registered in England:

Wellcome Trust Investments 3 Unlimited

(b) Summary financial information

The expenditure figures below include the impact of gift aid distributions and tax.

(i) Charitable subsidiary undertaking

	Genome Research Limited	
	2022 £mn	2021 £mn
Income	**186.0**	221.5
Expenditure	**(182.5)**	(207.8)
Actuarial gains on defined benefit pension scheme	**136.2**	67.3
Net movements in funds	**139.7**	81.0
Total assets	**251.3**	251.7
Liabilities	**(68.5)**	(75.4)
Defined benefit pension scheme deficit	**-**	(133.2)
Net liabilities	**182.8**	43.1

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	
	2022 £mn	2021 £mn	**2022 £mn**	2021 £mn	**2022 £mn**	2021 £mn
Turnover	**-**	14.0	**-**	-	**11.4**	9.4
Expenditure	**(10.0)**	(12.3)	**3.8**	23.9	**(78.7)**	(27.1)
Gains/(losses) on investments	**32.9**	62.9	**(11.9)**	(147.1)	**35.9**	41.1
Total profit	**22.9**	64.6	**(8.1)**	(123.2)	**(31.4)**	23.4
Investment assets	**1,015.7**	1,094.2	**301.3**	313.2	**680.0**	771.2
Current assets	**183.0**	79.1	**97.7**	97.3	**377.8**	352.2
Total assets	**1,198.7**	1,173.3	**399.0**	410.5	**1,057.8**	1,123.4
Liabilities	**(0.3)**	(14.0)	**(14.4)**	(17.8)	**(15.0)**	(49.8)
Net assets	**1,198.4**	1,159.3	**384.6**	392.7	**1,042.8**	1,073.6

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	
	2022 £mn	2021 £mn
Turnover	**29.0**	38.1
Expenditure	**(29.0)**	(38.1)
Total profit	**-**	-
Assets	**686.6**	686.3
Liabilities	**(549.1)**	(548.8)
Net assets	**137.5**	137.5

22. Consolidated cash flow

(a) Investment income received

	2022 £mn	2021 £mn
Dividends and interest	**322.5**	248.8
Rental income	**43.4**	37.6
Decrease in income receivable from investments	**(10.6)**	(2.4)
Decrease in accrued income from investments	**(2.6)**	(2.0)
Decrease in deferred income from investments	**1.8**	2.6
Investment income received	**354.5**	284.6

(b) Servicing of finance

	2022 £mn	2021 £mn
Interest payable	**(76.3)**	(76.5)
Foreign exchange (losses)/gains on revaluation of interest bearing liabilities	**(7.2)**	18.9
Increase/(Decrease) in interest bearing liabilities	**8.2**	(19.8)
Cash outflow for servicing of finance	**(75.3)**	(77.4)

(c) Reconciliation of investment sales and purchases

	2022 £mn	2021 £mn
Proceeds on sale of quoted investments	**3,216.8**	3,897.1
Proceeds on sale of unquoted investments	**2,888.2**	4,631.6
Proceeds on sale of investment property	**22.7**	46.9
Decrease/(Increase) in proceeds receivable on sale of investments	**3.2**	(7.6)
Proceeds on sale of Programme Related Investments	**1.9**	7.0
Proceeds from sales of investments	**6,132.8**	8,575.0
Purchases of quoted investments	**1,830.5**	3,914.1
Purchases of unquoted investments	**3,762.4**	3,347.8
Purchases of investment property	**32.9**	27.4
Decrease in amounts payable on acquisition of investments	**(7.0)**	(0.5)
Purchase of Programme Related Investments	**13.8**	18.1
Purchases of investments	**5,632.6**	7,306.9
(Loss)/gain on derivative financial instruments	**(368.6)**	64.5
Decrease in derivative financial asset positions	**30.8**	40.5
Increase/(Decrease) in derivative financial liabilities	**357.1**	(37.4)
Increase in cash collateral posted with counterparties	**(360.4)**	-
Net cash (outflow)/inflow due to derivative financial instruments	**(341.1)**	67.6

(d) Statement of net debt

	At 1 October 2021 £mn	Cash flow £mn	Change in Maturities £mn	Effective interest & Foreign Exchange £mn	**At 30 September 2022 £mn**
Cash in hand and at bank	44.3	(10.6)	-	-	**33.7**
Debt due after one year					
- bond liabilities	(2,770.3)	-		(8.8)	**(2,779.1)**
Debt due within one year					
- bond liabilities	(29.0)	75.3		(74.7)	**(28.4)**
Liquid resources:					
- investment cash and certificates of deposit	3,820.3	(442.5)	-	-	**3,377.8**
Net debt	1,065.3	(377.8)	-	(83.5)	**604.0**

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:

	2022 £mn	2021 £mn
Derivative financial instruments assets positions	**-**	30.8
Investment cash balances and certificates of deposit	**3,377.8**	3,820.3
Cash collateral posted with counterparties	**360.4**	-
Cash collateral held	**133.6**	128.7
Accrued income from investments	**11.8**	9.2
Income Receivable	**48.0**	37.4
Proceeds receivable on sale of investments	**8.2**	11.3
Other investment debtor balances	**18.0**	9.5
Programme related investment loans	**-**	-
Other debtors	**12.1**	19.3
Term deposits and cash	**33.7**	44.3
	4,003.6	4,110.8

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:

	2022				2021			
Group	Three months or less £mn	No more than one year £mn	More than one year £mn	**Total £mn**	Three months or less £mn	No more than one year £mn	More than one year £mn	**Total £mn**
Payments falling due within one year								
Bond liabilities	-	75.5	-	**75.5**	-	75.4	-	75.4
Derivative financial instruments liabilities	363.1	-	-	**363.1**	6.0	-	-	6.0
Collateral liability	133.6	-	-	**133.6**	128.7	-	-	128.7
Amount payable on acquisition of investments	8.6	-	-	**8.6**	1.6	-	-	1.6
Other investment liabilities	22.7	-	-	**22.7**	26.3	-	-	26.3
Trade creditors	17.2	-	-	**17.2**	27.5	-	-	27.5
Other creditors	38.7	-	-	**38.7**	58.5	-	-	58.5
Accruals and deferred income	59.4	-	-	**59.4**	52.3	-	-	52.3
Corporation Tax	-	11.1	-	**11.1**	-	0.6	-	0.6
Contractual payments	643.3	86.6	-	**729.9**	300.9	76.0	-	376.9
Grant liabilities	204.6	613.7	-	**818.3**	205.8	617.4	-	823.2
	847.9	700.3	-	**1,548.2**	506.7	693.4	-	1,200.1
Payments falling due between one and five years								
Bond liabilities	-	-	653.1	**653.1**	-	-	301.7	301.7
Other creditors	-	-	-	**-**	-	-	2.8	2.8
Contractual payments	-	-	653.1	**653.1**	-	-	304.5	304.5
Grant liabilities	-	-	1,993.5	**1,993.5**	-	-	1,769.3	1,769.3
	-	-	2,646.6	**2,646.6**	-	-	2,073.8	2,073.8
Payments falling due after five years								
Bond liabilities	-	-	5,403.8	**5,403.8**	-	-	5,823.0	5,823.0
Contractual payments	-	-	5,403.8	**5,403.8**	-	-	5,823.0	5,823.0
Grant liabilities	-	-	434.7	**434.7**	-	-	256.6	256.6
	-	-	5,838.5	**5,838.5**	-	-	6,079.6	6,079.6
Total	847.9	700.3	8,485.1	**10,033.3**	506.7	693.4	8,153.4	9,353.5

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 monitors 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:

	2022 £mn	2021 £mn
Quoted investments	**13,550.8**	17,292.0
Unquoted investments	**21,102.5**	18,814.3
Investments properties	**1,671.1**	1,566.1
Derivative financial instruments assets positions	**-**	30.8
Assets exposed to risk	**36,324.4**	37,703.2
Derivative financial instruments liability positions	**363.1**	6.0
Liabilities exposed to risk	**363.1**	6.0

(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 2022 (currency, mn)	Value as at 30 September 2022 £mn	Value as at 30 September 2021 (currency, mn)	Value as at 30 September 2021 £mn
Traded investments assets				
US $	**$25,131.6**	**22,513.3**	$30,906.0	22,921.3
Euro	**€3,131.6**	**2,748.2**	€3,520.0	3,025.6
CNY	**¥20,894.6**	**2,639.6**	¥24,096.6	2,738.1
Other		**4,363.6**		4,324.9
Other investment debtors balances				
US $	**$1,123.7**	**1,006.6**	$1,848.3	1,370.8
Euro	**€43.6**	**38.2**	€38.3	32.9
CNY	**¥0.2**	**-**	¥0.2	-
Other		**42.2**		27.3
Other investment creditors balances				
US $	**($3.4)**	**(3.0)**	($0.1)	(0.1)
Euro	**(€404.2)**	**(354.7)**	(€400.3)	(344.0)
CNY	**-**	**-**	-	-
Other		**(2.7)**		(8.4)
Forward currency contracts				
US $	**($3,936.0)**	**(3,583.5)**	$100.0	74.2
Euro	**(€725.3)**	**(680.1)**	(€727.2)	(650.2)
CNY	**-**	**-**	-	-
Other		**(0.1)**		(75.6)
Total exposed to currency risk		**28,727.6**		33,436.8

	Impact on gain for the financial year 2022 £mn	Impact on gain for the financial year 2021 £mn
10% US dollar appreciation	**1,993.3**	2,436.6
10% euro appreciation	**175.2**	206.4
10% CNY appreciation	**264.0**	273.8

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 (ie for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (ie for variable rate assets or liabilities).

Interest rate exposure

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.

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 opposite is the book value.

	2022		2021	
	Weighted average interest rate	**Value as at 30 September £mn**	Weighted average interest rate	Value as at 30 September £mn
Interest bearing assets:				
Maturing within one year				
Fixed rate	**n/a**	**-**	n/a	-
Floating rate	**n/a**	**-**	n/a	-
Maturing between one and five years				
Fixed rate	**n/a**	**-**	n/a	-
Floating rate	**n/a**	**-**	n/a	-
Total interest bearing assets		**-**		-
Interest-bearing financial liabilities:				
Maturing within one year				
Fixed rate – bond liabilities	**n/a**	**-**	n/a	-
Maturing between one and five years				
Fixed rate – bond liabilities	**1.13%**	**(351.4)**	n/a	-
Maturing after five years				
Fixed rate – bond liabilities	**2.92%**	**(2,456.0)**	2.70%	(2,799.3)
Total interest-bearing liabilities		**(2,807.4)**		(2,799.3)

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

As detailed in the Currency Risk note, Note 23 (c) (iii), the Group has US$ denominated investment assets and therefore the strengthening of sterling against the US$ since the reporting date has reduced the value of the investments assets following the reporting date by approximately £1.5 billion.

Reference and Administrative Details

Board of Governors

Julia Gillard (Chair)

Elhadj As Sy

Arup Chakraborty

Amelia Fawcett

Michael Ferguson
(Deputy Chair until 31 December 2021)

Richard Gillingwater

Gabriel Leung

Fiona Powrie (Deputy Chair from 1 January 2022)

Cilla Snowball

Ijeoma Uchegbu (from 15 November 2021)

General Counsel and Company Secretary

Chris Bird

Audit and Risk Committee

Amelia Fawcett (Chair)

Adèle Anderson (until 31 August 2022)

Arup Chakraborty

Chris Jones

Fiona Powrie

Ijeoma Uchegbu

Caroline Wehrle (from 1 December 2022)

Remuneration Committee

Amelia Fawcett (Chair)

Michael Ferguson (until 31 December 2021)

Julia Gillard

Richard Gillingwater

Fiona Powrie

Nomination and Governance Committee

Julia Gillard (Chair)

Elhadj As Sy

Michael Ferguson (until 31 December 2021)

Fiona Powrie

Cilla Snowball

Investment Committee

Richard Gillingwater (Chair)

Tracy Blackwell

Stefan Dunatov

Michael Ferguson (until 31 December 2021)

Peter Pereira Gray (until 30 September 2022)

Julia Gillard

Martin Halusa

Cressida Hogg

Gabriel Leung (from 22 February 2022)

Nick Moakes

Girish Reddy

Paul Schreier

Jeremy Farrar

Executive Leadership Team*

Director: Jeremy Farrar (to 24 February 2023)
Paul Schreier (interim CEO from 25 February 2023)

Chief Operating Officer: Paul Schreier

Chief Information Officer: James Thomas

Director of Corporate Affairs: Mark Henderson

Director of People: Kathy Poole

Director of Research Funding: Alyson Fox

Director of Research Programmes: Cheryl Moore

Director of Strategy:
Ed Whiting (until 18 November 2022)
Beth Thompson (interim, from 5 December 2022)

General Counsel and Company Secretary: Chris Bird

Employee Director: Sabien Khan**

Employee Director: Aki MacFarlane**

Finance Director: Karen Chadwick

Investment Executive

Managing Partner and Chief Investment Officer:
Nick Moakes

Managing Partner and Chief Executive Officer, Investments Division:
Peter Pereira Gray
(until 30 September 2022)

Managing Director:
Lisha Patel (since 1 October 2021)

Managing Director:
Fabian Thehos (since 1 October 2021)

*A new ELT position is being created for an Equity, Diversity and Inclusion Director

**Employee Directors are full members of the ELT for the purposes of providing input on executive decision-making (with the exception of annual pay calibration) but do not have management responsibility for ELT-level teams

Biographies of the Governors

The biographies of the current Board of Governors are shown on our website: Board of Governors | Wellcome

Independent Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Banker

HSBC Bank plc
31 Holborn Circus
Holborn
London EC1N 2HR
United Kingdom

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF
United Kingdom

Global custodian bank

JP Morgan Chase Bank NA
125 London Wall
London EC2Y 5AJ
United Kingdom

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, infectious disease, and climate and health.

Further copies of this *Annual Report and Financial Statements 2022* are available from the Trust's website or upon request though emailing contact@wellcome.org

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Its sole trustee is The Wellcome Trust Limited, a company registered in England and Wales, no. 2711000
(whose registered office is at 215 Euston Road, London NW1 2BE, UK). DO-7424/01-2023/RK