THE WELLCOME TRUST PENSION PLAN

TRUSTEE'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

Registrar of Occupational and Personal Pension Schemes Registration Number: 10102261

THE WELLCOME TRUST PENSION PLAN
YEAR ENDED 31 DECEMBER 2018

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TRUSTEE AND ADVISERS

Principal Employer

The Wellcome Trust Limited
Wellcome Trust
Gibbs Building
215 Euston Road
London NW1 2BE

Corporate Trustee

Wellcome Trust Pensions Trustee Limited

Trustee Directors

Vivien Cockerill (Chair – Independent Trustee)
Alan Brown (Employer Nominated)
Elaina Elzinga (Employer Nominated)
Richard Everett (Member Nominated)
Sarah Fromson (Employer Nominated)
Sean Thistleton (Member Nominated)

Plan Actuary

Charles Cowling FIA (resigned 20 June 2018, re-appointed 16 October 2018)
JLT Benefit Solutions Limited

Yvonne Wan (appointed 27 June 2018, resigned 26 September 2018)
JLT Benefit Solutions Limited

Plan Administrators and Consultants

JLT Benefit Solutions Limited

Independent Auditor

Deloitte LLP

Investment Manager

Legal & General Assurance (Pensions Management) Limited

AVC Providers

Standard Life Assurance Limited
AEGON

Bankers

The Royal Bank of Scotland plc

Legal Advisers

CMS Cameron McKenna LLP

Address for enquiries

Trustee of the Wellcome Trust Pension Plan
c/o JLT Benefit Solutions Limited
Post Handling Centre
St James's Tower
7 Charlotte Street
Manchester M1 4DZ

Email: raymonde_nathan@jltgroup.com

TRUSTEE'S REPORT

The Trustee of The Wellcome Trust Pension Plan ("the Plan") is pleased to present the Trustee's Report and audited financial statements for the year ended 31 December 2018. The financial statements have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995 (i.e. the Audited Accounts Regulations).

The report sets out how the Plan is run, how the assets are invested, and the financial activity of the Plan in the year ended 31 December 2018.

Constitution of the Plan

The Plan was established on 1 June 1980 to provide benefits on a defined benefit basis for the employees of The Wellcome Trust Limited and any other associated employers admitted to the Plan.

The Plan is operated in accordance with the Third Definitive Trust Deed and Rules dated 19 November 2007 and subsequent amending deeds.

The Plan is a Registered Pension Scheme under the Finance Act 2004.

The assets of the Plan are held by the Trustee and they are entirely separate from the Principal Employer.

Changes to the Plan

There were no changes made to the benefit or contribution structure of the Plan during the year.

Appointment and Removal of Trustees

The Trustee of the Plan is Wellcome Trust Pensions Trustee Limited.

The Trustee Directors who served during the Plan year are listed on page 1. There have been no changes since the last report.

At least one third of the Trustee Directors are nominated by Plan members. These member nominated Trustee Directors are elected from the membership of the Plan and cease to be eligible as Trustee Directors on leaving employment/ceasing to be members of the Plan. Employer nominated Trustee Directors can serve until removed by the Employer. Member nominated Trustee Directors can serve a maximum term of five years, after which they must stand down and may stand for re-election.

A Guide for Pension Scheme Trustees issued by The Pensions Regulator has been made available to all Trustee Directors. Members may obtain a copy from the Trustee at the address shown for enquiries on page 1.

During the year the Trustee Directors met four times. During the year, the Trustee Directors training took place on 3 December 2018 on the evolution of DB and DC landscapes, investment hedging for liabilities, Environmental, Social and Governance Criteria (ESG) and low carbon – the new world, and actuarial valuations – the key features.

Financial development of the Plan

The Fund Account on page 20 shows that the net additions arising from dealings with members for the year were £6,738,060 (2017: £4,859,582). The net return on the Plan's investments for the year was a loss of £17,464,941 (2017: gain of £44,616,016). The total net movement in the Plan's assets for the year was a decrease of £10,726,881 (2017: increase of £49,475,598), giving net assets of the Plan at the year end of £272,893,922 (2017: £283,620,803).

Further details of the financial developments of the Plan may be found in the audited financial statements on pages 20 to 30.

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Plan as at 31 December 2018 are given below:

ACTIVE MEMBERS	
Opening balance	499
Adjustments	(1)
Leavers with deferred benefits	(76)
Record closed	(1)
ACTIVE MEMBERS AT THE END OF THE YEAR	**421**
MEMBERS WITH DEFERRED BENEFITS	
Opening balance	951
Leavers during the year with deferred benefits	76
Retirements	(18)
Transfers out	(8)
Records closed	(3)
Deaths	(2)
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	**996**
PENSIONERS	
Opening balance	243
Pensions commencing	18
New dependants	1
Deaths	(4)
PENSIONERS AT THE END OF THE YEAR	**258**
TOTAL MEMBERSHIP	**1,675**

Pensioners include individuals receiving a pension upon the death of their spouse.

Included within pensioners are 22 (2017: 24) pensioners whose pensions are paid from annuities held in the name of the Trustee.

Adjustments are members whose status has been changed where the change relates to a previous year.

TRUSTEE'S REPORT (CONTINUED)

Actuarial Review

The financial statements set out on pages 20 to 30 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Plan, these liabilities are considered by the Plan Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Plan and the level of contributions payable.

The most recent triennial valuation was carried out at 31 December 2016.

The formal actuarial certificate required by statute to be included in this Annual Report from the Plan Actuary appears on page 35. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on pages 31 and 32, which forms part of the Trustee's Report.

Plan Actuary

C Cowling resigned as Plan Actuary on 20 June 2018 and the Trustee appointed Y Wan as Plan Actuary with effect from 27 June 2018. Y Wan subsequently resigned as Plan Actuary on 26 September 2018 and C Cowling was re-appointed with effect from 16 October 2018.

As required by Regulations made under the Pensions Act 1995, C Cowling and Y Wan confirmed in their notices of resignation that they knew of no circumstances connected with their respective resignations that significantly affected the interests of the members, prospective members or beneficiaries of the Plan.

Contributions

Contributions have been paid to the Plan in accordance with the Schedule of Contributions in force which was certified by the Plan Actuary on 12 December 2017. A copy of the Schedule of Contributions is included on pages 32 to 34 of this report.

In accordance with the Schedule of Contributions certified on 12 December 2017 annual deficit funding contributions of £4.6m are payable by each 31 December from 1 January 2017 to 31 December 2021.

A salary sacrifice arrangement has been in place since 1 October 2012. Salary sacrifice is a system whereby a member takes a reduction in pay equal to the pension contribution that would have been deducted and the Employer then makes a contribution of an equivalent amount.

Additional Voluntary Contributions (AVCs)

The Plan has AVC arrangements with Standard Life Assurance Company Limited ("Standard Life") and AEGON which is a brand name of Scottish Equitable plc ("AEGON Scottish Equitable").

Members are able to make additional voluntary contributions into the Plan. Further detail is given in note 12.6 to the financial statements.

Pension Increases

All pensions in payment are increased annually with effect from 1 April and are subject to increases in accordance with the Trust Deed and Rules, and may be further increased at the discretion of the Trustee with the consent of the employer.

Any part of the pension which relates to Pensionable Service accrued prior to 1 April 1997 was increased by 3%. Any part of the pension which relates to Pensionable Service accrued between 1 April 1997 and 31 March 2001 was increased by 4% (being based on a minimum of 3% or the increase in the preceding January Retail Price Index, if higher, to a maximum of 5%). Any part of the pension which relates to Pensionable Service accrued on or after 1 April 2001 was

TRUSTEE'S REPORT (CONTINUED)

Pension Increases (Continued)

increased by 4% (being based on the preceding January Retail Price Index, to a maximum of 5%). Pensions for members of the Management Section of the Plan received an increase of 4% on all pension elements (being based on the preceding January Retail Price Index, to a maximum of 5%).

No additional discretionary increases were granted during the year ended 31 December 2018.

Deferred pension benefits in excess of the Guaranteed Minimum Pension are increased by a fixed rate of 5% per annum for benefits relating to Pensionable Service accrued prior to 1 April 2003. For Pensionable Service accrued on or after 1 April 2003 benefits are increased by the preceding September Retail Prices Index, to a maximum of 5%.

Transfer Values

All transfer values are calculated in accordance with the requirements of The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 using assumptions determined by the Trustee on advice provided by the Plan Actuary.

No discretionary benefits or increases in benefits are included in the calculation of transfer values.

Investment Management

The day-to-day management of the Plan's investments has been delegated by the Trustee to the investment manager, Legal & General Assurance (Pensions Management) Limited ("Legal & General"), and their report appears on page 14.

The remuneration of Legal & General is assessed on a quarterly basis at the following rates per annum on the market value of the Plan's assets under management in each pooled investment fund at the end of every quarter.

Investment Funds	Charge per annum %
World Emerging Markets Equity Index Fund	0.18
World Developed (ex Tobacco) Equity Index Fund – GBP Hedged	0.095
World Developed (ex Tobacco) Equity Index Fund	0.07

A Statement of Investment Principles has been produced as required by Section 35 of the Pensions Act 1995, and is included in Appendix 1 of the financial statements.

The investment strategy of the Plan, adopted and regularly reviewed in consultation with the Wellcome Trust, is to be 100% in passive equities with an approximate allocation of 70% to developed markets and 30% to emerging markets.

Upon review by the Investment Sub-Committee and in consultation with the Wellcome Trust, the Trustee has developed and implemented a framework to switch assets in the Global Developed Market equities between currency hedged and unhedged share classes of the same fund.

The securities underlying the units held in the pooled investment vehicles are held and recorded by custodians appointed by the investment manager. The investments are held in designated nominee accounts. The Trustee has implemented mandates ensuring that the rights attaching to Plan investments are acted upon.

There were no employer-related investments held during the current or prior year.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. As such, it cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest.

TRUSTEE'S REPORT (CONTINUED)

Investment Management (Continued)

The Trustee Directors have been provided with details for access to the Investment Manager's published corporate governance policy that explains the manager's approach to socially responsible investment and investment rights. The Trustee is satisfied with the policies as described in these documents.

GMP Equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. It is not possible to estimate the value of any such adjustments at this time.

Internal Dispute Resolution (IDR) Procedure

The Trustee has adopted a dispute resolution procedure, a copy of which can be provided on request by the Plan administrator.

Further Information

Members are entitled to inspect copies of documents giving information about the Plan. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any member with a complaint against the Plan or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can refer the complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, London E14 4PU.

Any query about the Plan, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of the Wellcome Trust Pension Plan care of:

Mr R Nathan FPMI
The Wellcome Trust Pension Plan
JLT Benefit Solutions Limited
Rosemoor Court
Pynes Hill
Exeter EX2 5TU

Email: raymonde_nathan@jltgroup.com

This report, including the Investment Report and the Members' Information, was approved by the Trustee on

16/07/2019

and signed on its behalf by:

Trustee Director

Trustee Director

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018

CHAIR'S ANNUAL STATEMENT REGARDING GOVERNANCE – YEAR TO 31 DECEMBER 2018

This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It is my chance as Independent Chair of the Trustee to explain the steps taken during 2018 by the Trustee of the Wellcome Trust Pension Plan, with help from our professional advisers, to meet the governance standards that apply to occupational pension schemes that provide money purchase benefits.

The Wellcome Trust Pension Plan is a defined benefit plan which from time to time on an individual basis at the request of the employer with the agreement of the individual member grants money purchase benefit augmentations which are facilitated via the money purchase AVC arrangement, currently with Standard Life. Whilst these money purchase benefits ("DC Augmentations") are invested and treated as AVCs, these benefits are technically money purchase benefits as defined in Section 181(1) of the Pension Schemes Act 1993.

The DC Augmentations derive from contributions relating to 17 members which were made between 2016 and 2018. These money purchase benefits are invested in the AVC arrangement of the Plan. The total initial value of the money purchase investments made between 2016 and 2018 for 17 members was just under £429,000.

The DC Augmentations are invested in 18 separate funds with Standard Life. A full list of these funds can be found in Appendix 1 – Investment Charges.

The Trustee is committed to having high governance standards and the Trustee Directors meet regularly throughout the year. We have an investment sub committee which focuses on investment matters. We are responsible for investment governance and investment strategy. We delegate investment management decisions to our investment managers. We regularly monitor the performance of the DC Augmentations, and previously this review was part of the monitoring of AVCs. Following a review by the Trustee in 2018 DC Augmentations have been segregated by Standard Life as a stand-alone DC section for ease of reporting and to reflect that the contributions are not AVCs.

Default Arrangement

Members of the Plan who have DC Augmentation money purchase benefits and who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement. Following written advice from their investment consultant, Mercer (previously JLT Benefit Solutions Ltd), in September 2018 the Trustee has determined that the default strategy should be the default option for those who feel unable to, or wish not to make their own investment decision. A further review of the default arrangement will be undertaken in 2020. It is important to note that this is not an auto enrolment vehicle and charge cap provisions do not apply.

The default arrangement is the Standard Life At Retirement (Multi Asset Universal) Pension Fund which invests in actively managed underlying funds, which hold a range of different asset classes including equity, bonds, property and cash. The default strategy has the following objectives;

- To have a flexible approach aiming for "stay invested" approach;
- To be appropriate for members who are undecided on how to use their savings or who want to take a flexible income;
- To achieve moderate growth in a fund with relatively low volatility until such a time as the member is ready to make decisions on how to use their savings.

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018 (CONTINUED)

The Trustee must review both the default strategy and the performance of the default arrangement:

- at least every three years; and
- without delay after any significant change in -
  - investment policy; or
  - the demographic profile of relevant members.

The Trustee must, in particular, review the extent to which the return on investments relating to the default arrangement (after deduction of any charges relating to those investments) is consistent with the aims and objectives of the Trustee in respect of the default arrangement.

The Trustee must also revise their Statement of Investment Principles (SIP) after every review, unless they decide that no action is needed as a result of the review. Following setting the default strategy arrangement, the Trustee concluded that an update is required to the SIP and this will take place in 2019.

A copy of the May 2018 Statement of Investment Principles is attached in Appendix 1 of the financial statements.

The Trustee, through Standard Life, has set up processes to publish relevant information on the default arrangement online and members receive details each year in their annual benefit statement produced by Standard Life.

Core Financial Transactions

The Trustee is responsible for making sure that the Plan's core financial transactions for money purchase benefits are processed promptly and accurately. In practice we delegate this responsibility to our administrators, Mercer (previously JLT Benefit Solutions Ltd), in accordance with the general agreement the Trustee has in place with the administrators of the Plan; the Financial Management Policy. The following are examples of how these core financial transactions are treated:

- Contributions are invested promptly with the investment manager, Standard Life.
- Transfers of members' assets out of the Plan – disinvestment instructions for the member designated account are issued within ten working days of receipt of completed transfer out documentation.
- Other payments from the Plan to, or in respect of, members - a disinvestment instruction for the member's designated account should in normal course of events be issued up to ten working days prior to NRD, or up to ten working days after receipt of written confirmation from the member. A disinvestment will not be made until confirmation has been received from the member. This should enable the lump sum to be paid in a timely manner.
- SLAs are monitored and exceeded 95% over the last 12 months.
- There have been no issues processing scheme transactions.
- Processes adopted to achieve the SLA include dynamic checklists, a central financial control team separate to the administration team, daily monitoring of bank accounts and four eyes checking of investment and banking transactions.

Charges and Transaction Costs – Default Arrangement and Additional Funds

The law requires the Trustee to disclose the charges and transaction costs borne by the members who have DC Augmentations and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

The charges applicable to the AVC investments apply for the money purchase investments.

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018 (CONTINUED)

The fund utilised in the default strategy attracts an Annual Management Charge (AMC) of 1.00% and Total Expense Ratio (TER) of 1.04%. Standard Life offers a discount of 0.4% against their usual annual management charges for the members of the Wellcome Trust Pension Plan using the AVC facility, making the AMC 0.6% and TER 0.64%. This is lower than the maximum allowed of 0.75% for an auto enrolment vehicle, even though this is not an auto enrolment vehicle and therefore not subject to that maximum. The Trustee feels it is appropriate to adopt these charge cap principles to the default fund.

As described above, the money purchase benefits deriving from individual benefit augmentations are invested in the AVC arrangement of the Plan. The current AVC provider, Standard Life, provides a wide choice of investment options covering a diverse range of risk from cautious through to higher risk, which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments.

The Trustee ensures that all costs and charges borne by members are transparent and communicated at point of selection of the investment to enable members assess the costs and charges and these are also available on request. The members are also reminded to review their investments in the annual newsletter. The charges (along with their associated transaction costs) applicable to these funds and the default fund are available in Appendix I. The impact of the annual charges can be found in Appendix II.

Charges and Transaction Costs – Value for Member

The Trustee has a good understanding of the membership demographics of the DC Augmentations and as such has a view as to what good member outcomes should look like for the Plan's members who have DC Augmentations.

With this in mind, the Trustee has assessed the TERs disclosed in Appendix I and, having had advice from the investment adviser, the Trustee is satisfied that they have negotiated a good deal for members. The charges are broadly similar to the fees charged by other investment providers for similar funds in the market. The Trustee believes the charges represent reasonable value for members. In addition the Company picks up all the running costs of the Plan.

The Trustee acknowledges there are wider issues in assessing value for members and a formal assessment is scheduled for 2019.

Trustee Knowledge and Understanding

We take the Trustee Knowledge and Understanding requirements set out in sections 247 and 248 of the Pensions Act 2004 seriously. Mercer (previously JLT Benefit Solutions Ltd) provides regular trustee training, with a detailed training log kept to ensure the Trustee Directors are complying with the standards set out by the Regulator.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments. New Trustee Directors are required to complete the Pensions Regulator's online training modules within 6 months of being appointed. All new Trustee Directors have induction training with the Scheme Consultant. At every Trustee meeting, the issue of training needs is considered. Training is made available to individual Trustee Directors or to the Trustee body as appropriate.

In December 2018, the Trustee Directors undertook the following Plan specific training as a Trustee body;

- Evolution of Defined Benefit and Defined Contribution Landscapes
- Investment; Hedging for liabilities and ESG & Low Carbon – the new world!
- Actuarial Valuation – the key features; including changes in mortality improvement and impact of no new entrants to the Plan

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018 (CONTINUED)

The Trustee Directors are conversant with the Scheme's Trust Deed and Rules and the Statement of Investment Principles. The Trustee Directors also have a good knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of Scheme assets, which enables them to properly exercise their functions as the Trustee of the Scheme. Therefore, I am satisfied that the Trustee Directors have demonstrated a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and all other documents setting out the Trustee's current policies. The Trustee Board is supported on technical matters by professional advisers where required and this includes attendance of professional advisers at relevant Trustee Board meetings.

In addition the Trustee conducts an annual review of its effectiveness which includes a review of training and development needs.

The Trustee Directors agreed to update the Trust Deed and Rules in 2019 and will receive training from the legal advisers in December 2019.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them as well as the support of the Employer, I am satisfied that, the Trustee Directors consider that they are able properly to exercise their functions as Trustee of the Plan. This is done in the full knowledge of all relevant scheme documents as noted previously in this statement.

Signed:

Position: Chair of the Board of the Wellcome Trust Pensions Trustee Limited as Trustee of the Wellcome Trust Pension Plan

Date: 16/07/2019

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018

APPENDIX I – INVESTMENT CHARGES

The contributions are invested in 18 separate funds. The total annual management charges, total expense ratios and transaction costs levied on these funds are detailed below:

Fund Name	AMC	TER	Transaction Costs
Standard Life At Retirement (Multi Asset Universal) Pension Fund – **Default Fund**	1.00%	1.04%	-0.0146%
Standard Life Annuity Targeting Pension Fund	1.00%	1.01%	0.0110%
Standard Life iShares North American Equity Index Pension Fund	1.00%	1.01%	0.0000%
Standard Life Deposit and Treasury Pension Fund	1.00%	1.01%	-0.0001%
Standard Life Far East Equity Pension Fund	1.00%	1.09%	0.0580%
Standard Life International Equity Pension Fund	1.00%	1.03%	0.0541%
Standard Life Managed Pension Fund	1.00%	1.02%	0.0420%
Standard Life Money Market Pension Fund	1.00%	1.01%	0.0000%
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	1.00%	1.02%	0.0148%
Standard Life MyFolio Managed II Pension Fund	0.80%	1.30%	0.1664%
Standard Life MyFolio Market II Pension Fund	0.80%	1.01%	0.0270%
Standard Life Overseas Equity Pension Fund	1.00%	1.01%	0.1256%
Standard Life Passive Plus II Pension Fund	1.00%	1.03%	-0.0269%
Standard Life Passive Plus III Pension Fund	1.00%	1.02%	-0.0317%
Standard Life Pre Ret (My Folio Managed Universal)	1.00%	1.30%	0.3337%
SL Vanguard FTSE Developed World EX UK Pension Fund	1.00%	1.02%	0.0000%
SL Vanguard Emerging Markets Stock Index Pension Fund	1.00%	1.01%	0.0000%
Standard Life Pension Millennium With Profits 2006 Fund*	1.20%	1.20%	0.1248%

* Please note that there are no explicit charges for the With Profits Fund and the AMC and TER detailed above include an allowance for the cost of guarantees and is the deduction Standard Life currently use for illustrative purposes in quotations.

Standard Life offers a discount of 0.4% against their usual annual management charges for the members of the Wellcome Trust Pension Plan using the AVC facility. This discount is not included in the above table.

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018

APPENDIX II – ILLUSTRATION OF IMPACT OF CHARGES

The compounding effect of charges on the Plan members' funds can be illustrated as follows:

Illustrations for an "Average" member								
	Standard Life At Retirement (Multi Asset Universal) Pension Fund *(default option)*		**Standard Life Pre Ret (My Folio Managed Universal)** *(most expensive fund)*		**Standard Life Annuity Targeting Pension Fund** *(lowest expected returning)*		**SL Vanguard Emerging Markets Stock Index Pension Fund** *(highest expected returning and joint cheapest fund)*	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£23,879	£23,730	£23,879	£23,592	£22,928	£22,787	£24,286	£24,143
2	£24,578	£24,272	£24,578	£23,991	£22,660	£22,381	£25,424	£25,125
3	£25,297	£24,827	£25,297	£24,396	£22,395	£21,983	£26,614	£26,147
4	£26,038	£25,395	£26,038	£24,809	£22,132	£21,591	£27,861	£27,210
5	£26,800	£25,975	£26,800	£25,228	£21,873	£21,207	£29,165	£28,316
6	£27,584	£26,568	£27,584	£25,654	£21,617	£20,829	£30,531	£29,467
7(retirement)	£28,391	£27,176	£28,391	£26,088	£21,364	£20,458	£31,961	£30,666
Total Fees	£1,040		£1,968		£871		£1,057	

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" members' pots at retirement would be £19,517 in today's money.

Assumptions

The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Also note the 0.4% discount that Standard Life offer against their usual annual management charges for the Plan was incorporated in the analysis for a truer set of illustrations.

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2018

APPENDIX II – ILLUSTRATION OF IMPACT OF CHARGES (CONTINUED)

Age • "Average" member	58 *(the average age of the Scheme's active membership)*
Scheme Retirement Age	65
Starting Pot Size • "Average" member	£23,200 *(median pot size of the Scheme's active membership)*
Inflation	2.5% p.a.
Expected future nominal returns on investment: • Default Strategy o Standard Life At Retirement (Multi Asset Universal) Pension Fund • Standard Life MyFolio Managed II Pension Fund • Standard Life Annuity Targeting Pension Fund • SL Vanguard Emerging Markets Stock Index Pension Fund	 3.5% above inflation 3.5% above inflation 1.2% below inflation 4.8% above inflation

The Trustee, through Standard Life has set up processes to publish relevant information on the default arrangement online and members receive details each year in their annual benefit statement produced by Standard Life

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

INVESTMENT MANAGER'S REPORT

Legal & General Assurance (Pensions Management) Limited

The assets of the Plan are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector pension schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment objective is to maintain the Plan's distribution as close as possible to the benchmark shown below by the application of cash flows.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

Investment Funds	**Value and Distribution 31 December 2018**		**Value and Distribution 31 December 2017**	
	£	**%**	**£**	**%**
World Emerging Market Equity Index	80,377,832	30.1	84,913,358	30.6
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged	131,479,728	49.2	192,731,124	69.4
World Developed (ex Tobacco) Equity Index Fund	55,464,774	20.7	-	-
Total Assets	**267,322,334**	**100.0**	**277,644,482**	**100.0**

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days.

The time-weighted investment returns on the Plan's assets were as follows:

Investment Sector Fund	**1 Year**		**3 Years (p.a.)**	
	Fund %	**Index %**	**Fund %**	**Index %**
World Emerging Markets Equity Index Fund	-8.2	-7.9	14.2	14.6
World Developed (ex Tobacco) Equity Index Fund [1]	n/a	n/a	n/a	n/a
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged [2]	-7.9	-8.0	6.1	6.0
Total Plan	**-6.0**	**-7.6**	**14.3**	**12.9**

Source: Investment Managers, Thomson Reuters Datastream, JLT Employee Benefits.

1 The Plan initiated investment in this fund on 25 January 2018, therefore, returns for 1 year and 3 years are not available.

2. The Plan initiated investment in this fund on 9 November 2017, therefore, returns for 3 years are shown for information purposes only.

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedule in respect of the Plan year ended 31 December 2018

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Plan under the Schedule of Contributions certified by the Plan Actuary on 12 December 2017.

Contributions payable under the Schedule in respect of the Plan year		**£**
Employer:	Normal contributions	8,168,997
	Deficit funding contributions	4,600,000
	Contributions in respect of life assurance premiums	91,261
	Contributions in respect of Pension Protection Fund and Pension Regulator levies	292,796
Member:	Normal contributions	42,212
Total contributions payable under the Schedule (as reported on by the Plan auditor)		**13,195,266**

Reconciliation of contributions payable under the Schedule to total contributions as reported in the financial statements		**£**
Contributions payable under the Schedule		13,195,266
Contributions payable in addition to those payable under the Schedule (and not reported on by the Plan auditor)		
Employer:	Augmentation contributions	40,848
Member:	Additional Voluntary Contributions	133,722
Contributions reported in the financial statements		**13,369,836**

Signed on behalf of the Trustee on 16/07/2019

Trustee Director

Trustee Director

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN

We have examined the Summary of Contributions to The Wellcome Trust Pension Plan for the Plan year ended 31 December 2018 to which this statement is attached.

In our opinion contributions for the Plan year ended 31 December 2018 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Plan Actuary on 12 December 2017.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Reading

Date: 16/07/2019 2019

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN

Opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 December 2018 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- 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
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of The Wellcome Trust Pension Plan which comprise:

- the Fund Account;
- the Statement of Net Assets; and
- the related notes 1 to 19.

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).

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 Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council ("FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustee's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Plan's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN (CONTINUED)

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is 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 Trustee determines 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 Trustee is responsible for assessing the Plan'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 either intends to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Plan's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it 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 Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Reading

Date: 16/7/2019 2019

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
CONTRIBUTIONS AND BENEFITS			
Contributions			
Employer	3	13,193,902	11,022,028
Employee	3	175,934	227,741
Transfers in	4	-	28,941
Other income	5	467	304,208
		13,370,303	11,582,918
Benefits paid or payable	6	(4,590,755)	(5,228,502)
Payments to and on account of leavers	7	(1,295,035)	(733,731)
Other payments	8	(91,261)	(112,350)
Administrative expenses	9	(655,192)	(648,753)
		(6,632,243)	(6,723,336)
NET ADDITIONS FROM DEALINGS WITH MEMBERS		6,738,060	4,859,582
INVESTMENT RETURNS			
Investment income	10	62	57
Investment management expenses	11	(324,650)	(328,467)
Change in market value of investments	12.1	(17,140,353)	44,944,426
NET RETURNS ON INVESTMENTS		(17,464,941)	44,616,016
NET DECREASE/INCREASE IN THE FUND DURING THE YEAR		(10,726,881)	49,475,598
NET ASSETS OF THE PLAN AT 1 JANUARY		283,620,803	234,145,205
NET ASSETS OF THE PLAN AT 31 DECEMBER		272,893,922	283,620,803

The notes on pages 22 to 30 form an integral part of these financial statements.

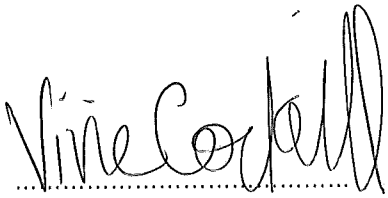
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

	Note	2018 £	2017 £
INVESTMENT ASSETS			
Pooled investment vehicles	12.4	267,322,334	277,644,482
Insurance policies – annuities	12.5	2,109,000	2,223,000
AVC investments	12.6	3,396,907	3,542,403
TOTAL NET INVESTMENTS		272,828,241	283,409,885
CURRENT ASSETS	14	674,507	545,201
CURRENT LIABILITIES	15	(608,826)	(334,283)
TOTAL NET ASSETS OF THE PLAN AT 31 DECEMBER		272,893,922	283,620,803

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 31 and 32, and these financial statements should be read in conjunction with that Report.

The notes on pages 22 to 30 form an integral part of these financial statements.

These financial statements were approved by the Trustee on .....16th July..... 2019 and were signed on its behalf by:



Trustee Director

Trustee Director

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Plan" (the revised SORP) (revised November 2014).

2 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

2.1 Accruals concept

The financial statements have been prepared on an accruals basis.

2.2 Currency

The Plan's functional currency and presentational currency is pounds sterling (GBP).

2.3 Contributions

Normal contributions, both from members and from the Employer are accounted for as they fall due under the Schedule of Contributions in force.

Deficit funding contributions from the Employer are accounted for as they fall due under the Schedule of Contributions in force.

Additional contributions from the Employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Additional voluntary contributions from members are accounted for in the month they are deducted from payroll.

2.4 Benefits

Benefits are accounted for in the period in which they fall due.

Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of when the liability arises.

2.5 Transfers to and from other schemes

Transfer values are included in the financial statements when the trustees of the receiving scheme accept or discharge the liability of the transferring member which is normally when it is received or paid. They do not take account of members who have notified the Plan of their intention to transfer.

2.6 Investment income

Income generated by the pooled investment vehicles is not distributed, but is retained within the fund and reflected in the market value of the units.

Purchases of annuities and annuity income received in respect of annuity policies held in the name of Trustee are accounted for as purchases and sales against annuity policy investments. Those purchased in the name of the members are shown as purchase of annuities within benefits paid or payable, as the liability of the Plan is then discharged.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

2.7 Valuation of investments

Investments are included in the financial statements at fair value.

Pooled investments are valued at the year end closing bid unit price as advised by the investment manager.

Realised and unrealised gains and losses on investments are dealt with in the Fund Account for the year in which they arise.

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Plan Funding valuation assumptions and methodology. Annuity valuations are provided by the Plan Actuary. Annuities are issued by Standard Life, Phoenix Life, Aviva and Prudential.

2.8 Expenses

All the costs of managing and administering the Plan are borne by the Plan, except for certain administration, pension payroll and accounting services provided to the Plan by the Employer for which no fees are charged. The Employer pays amounts into the Plan equal to the Pension Protection Fund and the Pension Regulator levies and the insurance premiums for death in service benefits of the Plan.

3 CONTRIBUTIONS

	2018 £	2017 £
Employer's Contributions		
Normal contributions	8,168,997	5,810,995
Deficit funding contributions	4,600,000	4,600,000
Augmentation contributions	40,848	303,372
Life assurance premiums	91,261	112,350
Pension Protection Fund and Pension Regulator levies	292,796	195,311
	13,193,902	11,022,028
Members' Contributions		
Normal contributions	42,212	55,690
Additional voluntary contributions	133,722	172,051
	175,934	227,741
	13,369,836	11,249,769

In accordance with the Schedule of Contributions certified on 12 December 2017 annual deficit funding contributions of £4.6m are payable by each 31 December from 1 January 2017 to 31 December 2021.

Augmentation contributions represent contributions in respect of certain members over and above the requirements of the Schedule of Contributions certified by the Plan Actuary on 12 December 2017.

A salary sacrifice arrangement has been in place since 1 October 2012. The member contributions received in respect of this arrangement are included in the employer normal contributions. The deed of amendment dated 30 October 2013 enables members to make additional voluntary contributions (AVCs) through salary sacrifice.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 TRANSFERS IN

	2018 £	2017 £
Individual transfers in from other schemes	-	28,941
	-	28,941

5 OTHER INCOME

	2018 £	2017 £
Claims on term insurance policies	-	304,208
Compensation	467	-
	467	304,208

6 BENEFITS PAID OR PAYABLE

	2018 £	2017 £
Pension payments	3,664,399	3,404,606
Commutations and lump sum retirement benefits	536,558	1,366,268
Lump sums on death	65,494	347,605
Taxation where lifetime or annual allowance exceeded	324,304	55,148
Annuity purchases	-	54,875
	4,590,755	5,228,502

Pension payments include £124,760 (2017: £130,589) annuity income paid directly to the annuitants by the annuity providers.

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2018 £	2017 £
Refunds to members leaving service	8,652	1,681
Payments for members joining state scheme	932	15,931
Individual transfers out to other schemes	1,285,451	716,119
	1,295,035	733,731

8 OTHER PAYMENTS

	2018 £	2017 £
Premiums on term insurance policies	91,261	112,350
	91,261	112,350

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 ADMINISTRATIVE EXPENSES

	2018	2017
	£	£
Administration and processing	107,033	114,257
Actuarial and consultancy fees	234,603	290,240
Audit fees	18,360	17,276
Legal and other professional fees	2,400	31,669
Pension Protection Fund and Pension Regulator Levies	292,796	195,311
	655,192	648,753

10 INVESTMENT INCOME

	2018 £	2017 £
Interest on cash deposits	62	57
	62	57

11 INVESTMENT MANAGEMENT EXPENSES

	2018 £	2017 £
Administration, management and custody	324,650	328,467
	324,650	328,467

12 INVESTMENTS

12.1 RECONCILIATION OF INVESTMENTS

	Value at 1 January 2018 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 December 2018 £
Pooled investment vehicles	277,644,482	68,473,629	(61,686,493)	(17,109,284)	267,322,334
Insurance policies - annuities	2,223,000	-	(187,000)	73,000	2,109,000
AVC investments	3,542,403	234,546	(275,973)	(104,069)	3,396,907
	283,409,885	68,708,175	(62,149,466)	(17,140,353)	272,828,241

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.2 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Plan's net assets at the year end:

	2018 % of net assets	2017 % of net assets	2018 £	2017 £
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged	48.2	68.0	131,479,728	192,731,124
World Emerging Markets Equity Index Fund	29.5	29.9	80,377,832	84,913,358
World Developed (ex Tobacco) Equity Index Fund	20.3	-	55,464,774	-

12.3 TRANSACTION COSTS

Indirect costs are borne by the Plan in relation to transactions in pooled investment vehicles. These are accounted for by an adjustment of the bid/offer spread of units. Direct costs are shown in Note 11 above.

12.4 POOLED INVESTMENT VEHICLES

	2018 £	2017 £
Equity Funds	267,322,334	277,644,482
	267,322,334	277,644,482

12.5 INSURANCE POLICIES – ANNUITIES

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Plan Funding valuation assumptions and methodology. Annuity valuations are provided by the Plan Actuary. Annuities are issued by Standard Life, Phoenix Life, Aviva and Prudential.

	2018 £	2017 £
Insurance policies – annuities	2,109,000	2,223,000
	2,109,000	2,223,000

12.6 AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund to secure additional benefits on a money purchase basis for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The amounts of AVC investments held at the year end are as follows:

	2018 £	2017 £
Standard Life	3,395,185	3,506,317
AEGON	1,722	36,086
	3,396,907	3,542,403

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1 The unadjusted quoted price for an identical asset in an active market

Level 2 Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Inputs are unobservable for the asset or liability

For the purposes of this analysis weekly priced funds in the pooled investment vehicles have been included in Level 2.

The Plan's investment assets have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total 2018
	£	£	£	£
Pooled investment vehicles	-	267,322,334	-	267,322,334
Insurance policies	-	-	2,109,000	2,109,000
AVC investments	-	2,628,608	768,299	3,396,907
	-	269,950,942	2,877,299	272,828,241

	Level 1	Level 2	Level 3	Total 2017
	£	£	£	£
Pooled investment vehicles	-	277,644,482	-	277,644,482
Insurance policies	-	-	2,223,000	2,223,000
AVC investments	-	2,742,669	799,734	3,542,403
	-	280,387,151	3,022,734	283,409,885

12.8 INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.8 INVESTMENT RISKS (CONTINUED)

The Plan has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment manager agreement in place with the Plan's investment manager and monitored by the Trustee by regular reviews of the investment portfolios.

Pooled investment arrangements used by the Plan are unit linked insurance contracts.

Further information on the Trustee's approach to risk management and the Plan's exposure to credit and market risks are set out below. For full detail of the Plan's investment strategy, as well as information in respect of the Plan's approach to risk management, measurement, reporting and mitigation strategies, please refer to the Trustee's most recent Statement of Investment Principles dated May 2018 included in Appendix 1. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Plan.

(i) Credit risk

The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles.

Analysis of direct credit risk

	Investment Grade £	Non-investment Grade £	Unrated £	Total 2018 £
Pooled investment vehicles	-	-	267,322,334	267,322,334
	-	-	267,322,334	267,322,334

	Investment Grade £	Non-investment Grade £	Unrated £	Total 2017 £
Pooled investment vehicles	-	-	277,644,482	277,644,482
	-	-	277,644,482	277,644,482

As the Plan's investment holdings detailed above are wholly in pooled investment vehicles, specifically unitised insurance policies, the investments are classified as unrated, consistent with other types of investments of this asset class. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled investment manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled investment manager.

Cash is held within financial institutions which are at least investment grade rated.

The Plan is not exposed to any indirect credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.8 INVESTMENT RISKS (CONTINUED)

(ii) Currency risk

The Plan's assets are subject to indirect currency risk because some of the Plan's investments are held in overseas markets via pooled investment vehicles. The Trustee has implemented a currency hedging strategy which is outlined in section 3 of the Statement of Investment Principles dated May 2018.

At the year end, the Plan was exposed to indirect currency risk on £135,842,606 of equity securities (2017: £84,913,357).

(iii) Interest rate risk

The Plan is exposed to direct interest rate risk on £2,109,000 (2017: £2,223,000) of insurance policies, due to the interest element in calculating the net discount rate when valuing the policies. The Trustee manages the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

(iv) Other price risk

Other price risk arises in relation to the Plan's return seeking portfolio which includes equities held in pooled investment vehicles. The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year end, the Plan's exposure to investments subject to indirect other price risk through its equity pooled investment vehicles was £267,322,334 (2017: £277,644,482).

The Plan is exposed to direct other price risk on £2,109,000 (2017: £2,223,000) of insurance policies, due to the inflation element in calculating the net discount rate when valuing the policies. As with interest rate risk, the Trustee manages the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

13 TAX

The Wellcome Trust Pension Plan is a registered pension scheme for tax purposes under the Finance Act 2004. The Plan is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

14 CURRENT ASSETS

	2018 £	2017 £
Bank balance	360,617	262,380
Pensions prepaid	304,962	282,821
Other debtors	8,928	-
	674,507	545,201

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 CURRENT LIABILITIES

	2018 £	2017 £
Unpaid benefits	271,592	25,972
Accrued expenses	335,958	305,058
Other creditors	1,276	3,253
	608,826	334,283

16 RELATED PARTY TRANSACTIONS.

The Principal Employer provides the Plan with some basic administrative services, such as pension payroll, for which no charge is levied. The fees of the Independent Trustee are met by the Principal Employer. The fees for the year ended 31 December 2018 were £23,750 (2017: £20,000).

The following Trustee Directors were active members of the Plan during the year: Elaina Elzinga, Richard Everett and Sarah Fromson. Contributions for these Trustee Directors were made in line with the Schedule of Contributions in force. Sean Thistleton is a deferred member and retains an entitlement to a deferred pension from the Plan on reaching retirement age.

17 EMPLOYER RELATED INVESTMENTS

There were no employer-related investments held during the current or prior year.

18 CONTINGENT LIABILITIES

GMP Equalisation - On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. It is not possible to estimate the value of any such adjustments at this time.

19 BREXIT

The UK is expected to leave the European Union on 31 October 2019. Whilst there is still time for Parliament to agree a deal, businesses and indeed their pension plans should continue to plan for a no-deal. Whilst the true impact of Brexit is unknown, the Trustee has considered:

- the operational plans and how this impacts the financial statements and Trustee's Report;
- the fair value of assets as at 31 December 2017 and 31 December 2018; and
- the impact on the strength of the employer covenant and any going concern implications.

REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to Plan members on request.

The most recent triennial actuarial valuation of the Plan effective as at 31 December 2016 showed that the accumulated assets of the Plan represented 93% of the Plan's technical provisions in respect of past service benefits; this corresponds to a deficit of £16.8m at the valuation date.

	£m
The value of the technical provisions was:	244.8
The value of the assets at that date was:	228.0

If the Plan had been discontinued and wound up at 31 December 2016 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 32%, corresponding to a shortfall of £479.5m.

There has since been a funding update carried out with an effective date of 31 December 2017. This showed that the accumulated assets of the Plan represented approximately 106% of the Plan's Technical Provisions at that date.

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Plan in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions

Discount interest rate: Calculated as the annualised yield on the FTSE Actuaries' Government Securities 20 Year Fixed Interest Yield Index rounded to the nearer 01% per annum plus 3.0% per annum. The rate adopted at the valuation was 4.9% per annum.

Rate of inflation - Retail Prices Index: Calculated using the Bank of England's implied inflation spot curve at a term of 20 years, rounded to the nearer 0.1% per annum. The rate adopted at the valuation was 3.7% per annum.

Rate of pensionable earnings increase: Calculated in line with RPI assumption plus 0.5% per annum. The rate adopted at the valuation was 4.2% per annum.

Revaluation of pensions in deferment: Elements of pension in deferment which have future revaluation in line with RPI subject to a maximum of 5% per annum calculated as revaluing at the assumed rate of RPI inflation, subject to a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.7% per annum.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant Actuarial Assumptions (Continued)

Pension increases: Elements of members' pension which increase in payment in line with RPI subject to a maximum of 5% per annum taken to increase at assumed rate of RPI growth less 0.1% per annum, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.6% per annum.

Pensions which increase in payment in line with RPI subject to a maximum of 5 % per annum and minimum of 3% per annum taken to increase at the assumed rate of RPI growth plus 0.2% per annum, subject to a minimum assumption of 3% per annum and a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.9% per annum.

Mortality: No allowance made for pre-retirement mortality.

Post-retirement mortality - the basis adopted for the valuation was 100% of the mortality rate in the standard tables S2PMA_L for males and S2PFA_L for females, projected to the valuation date in line with the approach below.

Allowance for future improvements: CMI core projected model with a 1.5% per annum long term projected rate of improvement (CMI_2016 [1.5%]), using a year of birth approach.

The standard rates were not adjusted to take account of material geographical, occupation and/or socio economic factor expected to influence the life expectancy of the Plan membership.

Recovery plan

In light of the deficit arising from the actuarial valuation, a recovery plan was agreed between the Trustee and the employer on 12 December 2017. Under the recovery plan, the Trustee and the employer have agreed that annual deficit funding contributions of £4,600,000 are payable by 31 December each year from 1 January 2017 to 31 December 2021.

These arrangements were formalised in a Schedule of Contributions which the Plan Actuary certified on 12 December 2017. A copy of this certificate is included on page 35 of this report.

Next actuarial valuation

The next triennial valuation will be performed as at 31 December 2019.

SCHEDULE OF CONTRIBUTIONS

THE WELLCOME TRUST PENSION PLAN

This schedule of contributions has been prepared by the trustees, after obtaining the advice of Charles Cowling, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 19 August 2016.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 December 2016 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

Period covered by this schedule of contributions

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after the date it is certified by the Scheme Actuary.

Contributions by active members who are not Salary Sacrifice Members

5% of Contribution Salary for members electing to accrue benefits on a 60ths scale.

All other members are non-contributory.

These contributions are to be deducted by the employer and paid to the scheme on or before the 19th of the calendar month following deduction. Any additional voluntary contributions payable by active members are payable in addition.

Contributions by active members who are Salary Sacrifice Members

Nil. Any additional voluntary contributions payable by active members are payable in addition, where not provided via salary sacrifice.

Contributions by employer in respect of future accrual of benefits, death in service benefits and expenses

With effect from 1 January 2018, 33.4% of Contribution Salary, less the ordinary contributions payable by active members, payable monthly by the 19th of the calendar month after that to which they relate.

Prior to 1 January 2018, the contribution rate will be in line with the previous schedule of contributions.

In addition, the employer will pay amounts into the scheme equal to the levy payments made by the scheme to the Pension Protection Fund. Such amounts will be paid by the employer within a year of them being paid by the scheme. Insurance premiums for death in service benefits are payable in addition as and when they are due.

Contributions by employer in respect of the shortfall in funding

In accordance with the recovery plan following the 31 December 2016 actuarial valuation, the employer will pay annual contributions of £4,600,000 payable by each 31 December, from 1 January 2017 to 31 December 2021.

Additional employer contributions

The employer may pay additional contributions of any amount and at any time from those set out above.

Contribution Salary

As defined in the Trust Deed:

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

"Contribution Salary" means the total basic fixed annual salary or total basic annual wages of a Member calculated on a monthly basis. Unless an Employer in any particular case so decides, Contribution Salary shall not include any director's fees, bonuses, commissions, overtime or other fluctuating emoluments.

In the case of a Post 89 Member his Contribution Salary shall be subject to and shall not exceed the Earnings Cap unless the Principal Employer, with the consent of the Trustees, decides that the Earnings Cap shall not apply to any such Member.

For clarification, any reduction to basic pay which results from a member entering into a salary sacrifice agreement shall, where his employer directs, be ignored for the purposes of this definition. For these members basic salary will be the amount notified to the trustees by the employer.

SIGNATURES

Signed on behalf of the trustees:

Name: Vivie Cockrill
Position: DIRECTOR & CHAIR OF TRUSTEES
Date: 5 December 2017

Signed on behalf of the employer:

Name: TIM LIVETT
Position: CFO, WELLCOME TRUST
Date: 6/12/17

This schedule of contributions has been agreed by the trustees after obtaining actuarial advice from me.

Signed:

Name: Charles Cowling
Fellow of the Institute and Faculty of Actuaries
Position: Scheme Actuary
Date: 12/12/17

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

THE WELLCOME TRUST PENSION PLAN

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that –

   the statutory funding objective could have been expected on 31 December 2016 to continue to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the trustees on) 5/12/2017

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the trustees on) 5/12/2017

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:		Date:	12/12/2017
Name:	Charles Cowling	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's Tower 7 Charlotte Street Manchester M1 4DZ	Name of employer:	JLT Benefit Solutions Limited

MEMBERS' INFORMATION

INTRODUCTION

The Plan is a defined benefit scheme and is administered by JLT Benefit Solutions Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10102261.

Other information

(i) The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) happened or, within three years of when the event(s) was first known about it (or ought to have been known about). There is discretion for those time limits to be extended. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

☎ 0800 917 4487
✉ enquiries@pensions-ombudsman.org.uk
💻 www.pensions-ombudsman.org.uk

(ii) The Pensions Advisory Service (TPAS) can assist members and beneficiaries of schemes with general requests for information or guidance concerning their pension arrangements. TPAS may be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

☎ 0800 011 3797
💻 www.pensionsadvisoryservice.org.uk

(iii) The Pensions Regulator (TPR) can intervene if it considers that a scheme's Trustees, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

☎ 0345 600 1011
💻 www.thepensionsregulator.gov.uk

(iv) The Pension Protection Fund (PPF) was established under the Pensions Act 2004 to pay compensation to members of eligible defined benefit pension schemes, when the sponsoring employer has suffered a qualifying insolvency event, and where the scheme is assessed as having insufficient assets to cover PPF levels of compensation.

The PPF is funded by a retrospective levy on occupational pension schemes.

(vi) The Trust Deed and rules, the Plan details, and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report. Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the Plan, JLT Benefit Solutions Limited, at the address detailed on page 1.

APPENDIX 1

STATEMENT OF INVESTMENT PRINCIPLES

The Wellcome Trust Pension Plan

Written Statement of Investment Principles

May 2018

1. Background

1.1. The purpose of this Statement of Investment Principles ("SIP") is to set out the policy of the Directors of the Wellcome Trust Pensions Trustee Limited ("the Trustee") in capacity as Trustee for the Wellcome Trust Pension Plan ("the Plan") on various matters in connection with the investment of the assets of the Plan. This SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995, and the 1999 Amending Regulations to the Pensions Act.

1.2. This SIP has been formulated after obtaining written professional advice from:

- Charles Cowling FIA of JLT Actuaries and Consultants Limited as the Actuary to the Plan; and
- JLT Benefit Solutions Ltd as Investment Consultants to the Plan.

1.3. The Employer, the Wellcome Trust, has been consulted on the SIP.

1.4. The appointed investment manager is required to exercise their powers of investment with a view to giving effect to the principles contained in this SIP, so far as reasonably practicable. The appointed investment manager will be provided with a copy of this SIP and kept informed of any changes.

1.5. The Trustee will periodically review the Myners Principles, published by the government in 2001, and updated in 2008, as a guide for the management of the assets. The Trustee acknowledges that not all of the principles will be applied to the Plan, but have drafted this SIP to comply with Myners' recommendations relating to the content of SIPs generally.

2. Investment strategy

2.1. After consultation between the Trustee, the Investment Sub-Committee and the Wellcome Trust, it has been agreed that the Plan will invest 100% in equities.

2.2. Given this investment strategy, the Wellcome Trust has offered a firm commitment to the Trustee to support the Plan financially, which has been evidenced in writing.

2.3. The current broad split of the Plan's assets is as follows:

- 70% in Global Developed Market equities; and
- 30% in Emerging Market equities.

However, after a review by the Investment Sub-Committee with the assistance of their advisers and after consultation with the Wellcome Trust, the Trustee has developed and implemented a framework to switch the assets in the Global Developed Market equities between currency hedged and unhedged share classes of the same fund.

Furthermore, after a further review and consultation with the Wellcome Trust, the Trustee agreed to switch exposure from the Legal & General FTSE World Developed

Equity Index Fund – GBP Hedged to the Legal & General FTSE World Developed (ex Tobacco) Equity Index Fund– GBP Hedged / Unhedged.

2.4. The ex-tobacco fund aims to track the performance of a customised index; comprising the FTSE World Developed Equity Index excluding companies classified as 'Tobacco' under the industry classification benchmark classifications. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

2.5. As mentioned above, the Trustee has implemented a currency hedging strategy, hedging the Plan's developed market equity exposure back to Sterling when GBP fell significantly below purchasing power parity ("PPP") on a trade weighted basis and will reverse that hedge if and when in the opinion of the Trustee GBP rises significantly above purchasing power parity ("PPP").

3. Implementation

3.1. The Trustee considered the use of both passive and active investment management when reviewing the Plan's strategy. The resultant allocation to passive management only was formed following consideration of the efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment manager fees on future expected returns.

3.2. The Trustee has appointed Legal & General Assurance (Pensions Management) Limited ("L&G") as the investment manager of the Plan. The Plan invests in pooled funds with the following benchmarks:

Fund	Benchmark	SORP/IFRS Class
FTSE World Developed (ex Tobacco) Equity Index Fund	FTSE Developed	2
World Emerging Markets Equity Index Fund	FTSE Emerging	2
FTSE World Developed (ex Tobacco) Equity Index Fund – GBP Currency Hedged[1]	FTSE Developed	2

[1] This is the fund to be used in the implementation of the Plan's currency hedging strategy.

3.3. All new contributions / realisations are invested / disinvested so as to move the distribution of the portfolio back towards the prevailing benchmark asset allocation and split between the World Developed (ex Tobacco) Equity Index Fund – GBP Currency Hedged / World Developed (ex Tobacco) Equity Index Fund and the World Emerging Markets Equity Index Fund.

3.4. No other rebalancing is carried out by the investment manager without specific instructions from the Trustee. Rebalancing will be considered when the allocation moves more that 10% from the starting allocation.

3.5. The Trustee decided that the currency hedging strategy would be implemented as and when the GBP fell approximately two standard deviations below PPP on a trade weighted basis. The hedged position will be held until, in the opinion of the Trustee, Sterling moves considerably above its fair value point, at which point the hedges will be removed and the process will be repeated on a range basis. Implementation is likely to be undertaken on a tranched basis, with trigger points agreed in advance by the Trustee. The estimated fair value point and range will be reviewed periodically and the triggers revised, if necessary.

4. Policy for choosing investments

4.1. In choosing investments, the Trustee has taken into account the following factors:

- the size, credit status and commitment to the Plan of the Wellcome Trust;
- the desire to ensure that the Plan's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise;
- the circumstances of the Plan (including the relative immaturity of the Plan, the positive cash flow position, and the benefits provided);
- the degree to which the liabilities of the Plan are covered by the assets of the Plan;
- the investment characteristics of the available asset classes (including the expected return, the variability of return, and the correlation of asset classes with each other and with the liabilities);
- the belief that, in the long term, equities will outperform other available asset classes and that this time horizon is consistent with that of the Plan and the Employer; and
- the levels of investment risk.

5. Kinds of investments to be held

5.1. The Plan may invest in any class of asset in such proportions as the Trustee, guided by its investment advisors, consider appropriate from time to time. The Trustee has decided to invest the Plan's assets in equities through a diversified portfolio of marketable securities.

5.2. Members wishing to make Additional Voluntary Contributions ("AVCs") to the Plan may currently do so via funds made available through Standard Life and Aegon. The Trustee will review this facility annually.

5.3. In addition, the Trustee may hold insurance policies or other assets that are earmarked for the benefit of certain members.

6. The balance between different kinds of investments

6.1. The Trustee recognises the advantages of diversification between global equity markets in terms of reducing the risk that results from investment in any one particular market.

7. Expected return on investments

7.1. The Trustee is aware of the long-term performance characteristics of the asset classes considered in terms of their expected returns and the variability of those returns. Short-term volatility of returns can be tolerated.

7.2. Broadly speaking, the Trustee expects equities to deliver a long run real return (over price inflation) of circa 4.5%pa in the base case, with lower real returns expected from fixed interest, index-linked gilts and cash. This is reviewed annually.

8. Risk

8.1. In assessing investment risk, the Trustee has been mindful of the Plan's:

- covenant from the Wellcome Trust;
- funding level on an On-going basis; and
- solvency level on a Discontinuance Basis.

8.2. In arriving at their benchmark, the Trustee is satisfied that they are not assuming undue risk.

8.3. Other risks that the Trustee monitors and manages are set out in Annex A.

9. Realisation of investments

9.1. The Plan's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Trustee concludes that the Plan's investments can be realised if necessary.

10. Socially responsible investment and investment rights

10.1. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. As such, it cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest.

10.2. The Trustee has received a copy of the investment manager's published corporate governance policy that explains the manager's approach to socially responsible investment and investment rights. The Trustee is satisfied with the policies as described in these documents.

10.3. The Trustees had concerns over the fact that tobacco companies currently make up approximately 1.4% of the FTSE Developed Markets Fund. By investing the Plan's developed market equities in a fund that excludes tobacco companies, the Trustee is pursuing a policy that is consistent with the Wellcome Trust's endowment portfolio,

which does not invest directly in tobacco companies, as well as Wellcome's mission to improve human and animal health globally.

11. Stewardship

11.1. The Trustee believes that widespread adoption of good corporate governance practice will improve the quality of management and, as a consequence, is likely to increase the returns available to long term investors.

11.2. The Trustee has undertaken to apply the seven principles of the UK Stewardship Code, given their responsibilities as an asset owner. A copy of the Plan's Stewardship Code statement is appended to this document and is hosted on the FRC's website

11.3. The Trustee has reviewed and accepted the investment manager's Stewardship Code statement.

12. Decision-making structure

12.1. The Plan's assets are held in trust by the Trustee, whose powers of investment are set out in the trust documentation of the Plan.

12.2. The Trustee uses sub-committees when appropriate so that decisions can be taken after appropriate consideration and with due focus. Sub-committees may have delegated power, confirmed in a terms of reference, from the Trustee to take decisions.

12.3. The investment manager appointed by the Trustee is responsible for the day to-day investment management of the Plan's assets and is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

13. Fees, charges and other costs

13.1. The Trustee recognises that the provision of investment management, dealing and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

13.2. The Trustee has agreed Terms of Business with JLT Benefit Solutions Ltd, the Plan's investment consultants, actuaries and administrators, under which charges are calculated on a time-cost basis or fixed fee basis as agreed by the Trustee.

13.3. The investment manager receives fees calculated by reference to the market value of the Plan's assets under management in each pooled fund. The Trustee considers that this is the most appropriate fee structure for index tracking pooled fund investment.

13.4. Other services are or will be paid for on a time cost or fixed fee basis as agreed with by the Trustee.

14. Review of the SIP

14.1. The Trustee will, from time to time, review the appropriateness of this SIP and will amend it as appropriate in response to any material changes to any aspects of the investment arrangements detailed above.

14.2. This SIP supersedes the SIP prepared and signed by the Trustee in January 2018 .

Signed for and on behalf of

Wellcome Trust Pensions Trustee Limited in capacity as Trustee for the Wellcome Trust Pension Plan

Vivie Cockell

.....

Date

6 June 2018.

.....

Annex A – Investment risk measurement methods and management processes

The Trustee is aware of, and seeks to take account of a number of risks in relation to the Plan's investments, including the following:

Under the Pensions Act 2004, the Trustee is required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below. However, given that the Plan is currently invested 100% in equities, it will not necessarily be exposed to all of these risks at present.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Plan's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these

policies are provided to the Trustee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustee by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustee will however ensure that they are comfortable with the amount of risk that the Plan's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- In order to address this issue, the Trustee has implemented a currency hedging strategy, as outlined in section 3 of this report.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustee acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which could invest in assets such as equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

Appendix 1 – Stewardship Code statement
The Wellcome Trust Pension Plan

UK Stewardship Code Policy Statement

This document describes how the Trustee of the Wellcome Trust Pension Plan has undertaken to apply the seven principles of the UK Stewardship Code, given their responsibilities as an asset owner.

The Trustee is satisfied that the investment Manager of the Plan's assets is also a signatory to the Stewardship Code. The Manager endorses the principles and is fully committed to them as they enhance long term value for shareholders and protect the integrity of their clients' assets.

1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The Trustee believes that widespread adoption of good corporate governance practice will improve the quality of management and, as a consequence, is likely to increase the returns available to long term investors.

The Trustee records their policy on responsible investment in the Plan's Statement of Investment Principles. The Plan's Stewardship Code statement – ie this document – will be appended to the Statement of Investment Principles and hosted on the FRC's website.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The Trustee has clear policies which address the identification, management and disclosure of conflicts of interests with the Plan, though these do not currently relate to stewardship issues, given the nature of the investment arrangements.

3. Institutional investors should monitor their investee companies

The Plan only uses pooled funds, and as a result stewardship and voting responsibilities are delegated to the investment Manager. The Trustee regularly monitors the performance of its Manager and engages with them as part of the regular meeting cycle. The Trustee has reviewed and accepted the appointed Manager's corporate governance policy and Stewardship statement.

4. Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

As the Plan invests only in pooled funds, the investment Manager alone determines the activities they use to protect and enhance shareholder value in the underlying companies. The Trustee is satisfied that the investment Manager actively engages with investee companies, monitors this through quarterly reporting, and accepts that the way in which engagement is undertaken is dependent on the circumstances and the issues to be discussed.

5. Institutional investors should be willing to act collectively with other investors where appropriate

As the Plan invests only in pooled funds, the investment Manager alone determines whether collective engagement is appropriate. The Trustee is satisfied that the Manager's membership of the Association of British Insurers (ABI) and Corporate Governance Forum (CGF), and networks such as the Principles for Responsible Investment (PRI) and the UK Sustainable Investment and Finance (UKSIF) means that they are well positioned to collaborate with other investors on a number of issues.

6. Institutional investors should have a clear policy on voting and disclosure of voting activity

The Trustee expects the investment Manager to exercise voting rights in the best interests of the fund, or should a conflict exist, in the best interests of shareholders generally.

The Trustee relies on voting disclosures made by the investment Manager in its quarterly reports and on its website.

7. Institutional investors should report periodically on their stewardship and voting activities

The Trustee does not additionally disclose voting information to the Plan's membership.

This statement, along with underlying policies, will be reviewed on an annual basis and updated where necessary to reflect changes in actual practice.

May 2018

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