The Wellcome Trust Pension Plan

Statement of Investment Principles

December 2024

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 Mercer Limited (“Mercer”) as Investment Advisers 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 notes that in March 2017 the Pensions Regulator released ‘Investment Guidance for Pension Schemes’. The Trustee is satisfied that the investment approach adopted by the Plan is consistent with the guidance, so far as it is appropriate to the Plan’s circumstances. The Trustee meets with its investment adviser periodically and monitors developments both in relation to the Plan’s circumstances and evolving guidance and will revise the Plan’s investment approach if considered appropriate.

2. Investment strategy

2.1. After consultation between the Trustee, the Investment Sub-Committee and the Wellcome Trust, it was agreed in November 2023 that the Plan would de-risk the investment portfolio, to be completed in two main phases. A timeline of this is set out further below, alongside other key changes to the portfolio in prior years.

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 broad split of the Plan’s assets following the de-risking of the investment strategy is as follows:

- 10% in Global Developed Market equities;
- 30% in Buy and Maintain Credit;
- 55% in Liability Driven Investments; and
- 5% in Cash

2.4. Initially, after a review by the Investment Sub-Committee with the assistance of their advisers and after consultation with the Wellcome Trust, the Trustee 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. The Trustee hedges the Plan’s developed market equity exposure back to Sterling when GBP falls 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").

2.5. Furthermore, after a further review and consultation with the Wellcome Trust, the Trustee agreed to switch exposure between 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. The ex-tobacco fund aimed 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 was to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

2.6. In 2022, the Trustee took investment advice from Mercer and consulted with the employer before deciding to switch from LGIM's Developed Markets (ex Tobacco) passive equity pooled fund to the LGIM Futures World (ex Tobacco) strategy for developed markets, see also section 11 and Appendix 3 below. It was also agreed that the Sterling hedging position for the Plan will be managed by requesting the manager to change the Sterling hedged/unhedged ration within this Futures World "fund of two" strategy. The Trustee took careful cognisance of the estimated transition costs, modest increase in investment management costs and the stability of organisational and operational arrangements, before making the decision. This was implemented in February 2023.

2.7. In 2023, the Trustee decided to switch from LGIM's Emerging Markets passive equity pooled fund to the LGIM Futures World Emerging Markets passive equity pooled fund. The Trustee took careful cognisance of the estimated transition costs, modest increase in investment management costs and the stability of organisational and operational arrangements, before making the decision.

2.8. In November 2023, in consultation with Mercer, the Trustee decided to de-risk the investment portfolio, to be completed in two main phases.

2.9. During the first phase, the Trustee made several changes to its investment strategy. These changes included reducing exposure to LGIM's Future World (ex Tobacco) strategy and completely divesting from LGIM's Futures World Emerging Markets passive equity pooled fund. Additionally, the Trustee initiated investments in the LGIM Sterling Liquidity Fund, LGIM UK Gilts All Stocks, and LGIM UK Index-Linked Gilts All Stocks.

2.10. For the second phase, the Trustee undertook a manager selection exercise to appoint an investment manager for all the components of the investment strategy outlined further above. The exercise included a more prudent and detailed analysis of liabilities, through the construction of a liability benchmarking portfolio ("LBP"), against which managers were asked to design a bespoke liability driven investment ("LDI") portfolio which hedges a material proportion of the sensitivities of the Plan's liabilities to changes in interest rate and inflation expectations. The target hedge ratio for the modelling was a hedge ratio of 95% on a gilts flat basis.

2.11. The Trustee decided to appoint LGIM for the investment strategy mandates; including the new LDI portfolio allocation, a new allocation to a bespoke Global Buy & Maintain Credit

Fund, an allocation to the LGIM Sterling Liquidity Fund for LDI collateral purposes and a lower allocation to the LGIM Future World (ex Tobacco) strategy.

2.12. Shortly before making this decision, the Trustee introduced a temporary allocation to the LGIM Matching Core Real Long Fund, in order to increase the effective level of liability hedging in the interim to the conclusion of the manager selection exercise.

3. Implementation

3.1. The Trustee has considered the use of both passive and active investment management when reviewing the Plan's strategy. The allocation to passive management in relation to the equity assets 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. The Buy and Maintain Credit portfolio is active by nature, whilst the LDI manager has some discretion to operate the portfolio, particularly on instrument selection, for improved yield, better shape of the hedge and reducing leverage wherever possible.

3.2. The Trustee has appointed Legal & General Assurance (Pensions Management) Limited ("L&G") as the investment manager of the Plan. The strategy involves investments in QIAIF (Qualifying Investor Alternative Investment Fund) structures which include a "fund of one" and a "fund of two", with the following benchmarks:

Fund	Benchmark	Weights
LGIM Futures World (ex Tobacco) for developed markets Fund[1]	Solactive L&G ESG Global Markets Index - GBP Hedged	10%
LGIM Bespoke Buy and Maintain Credit Fund[2]	N/A[3]	30%
LGIM LDI Portfolio[2]	N/A[4]	55%
LGIM Sterling Liquidity Fund[2]	SONIA	5%

[1] This is the fund of two QIAIF to be used in the implementation of the Plan's developed markets **and** currency hedging strategy, by altering the currency hedging ratio within the fund.

[2] The fund of one QIAIF will be used for implementation of these funds.

[3] No formal benchmark in place. The fund aims to capture the credit risk premium through a globally diversified portfolio of predominatly investment grade credit, and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality

[4] The LDI Portfolio doesn't have a formal performance target or benchmark, as it is used to broadly match the change in value of a portion of the Plan's liabilities as interest rates and inflation expectations rise or fall. The Plan targets an interest rate and inflation hedge ratio of 95%, as a proportion of the liabilities on a gilts flat basis.

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, subject to maintaining the hedging objectives.

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 than 10% from the starting allocation.

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 state of maturity of the Plan, the decision to close the Plan to new accruals as of 1/7/2022, 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 desire for greater certainty of outcomes, implemented through de-risking, as the Plan's funding position improves;
- the levels of investment risk.

4.2. The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis.

4.3. The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset classes being selected.

4.4. The Trustee looks to their investment adviser for their forward-looking assessment of an investment manager's ability to deliver upon its stated objectives over a full market cycle. This view will be based on the adviser assessment of the investment manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment that the Plan invests in. The investment adviser's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee. These ratings are used in decisions around selection, retention and removal of manager appointments.

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, Liability Driven Investments (LDI) comprising of government bonds and derivative structures as well as corporate bonds to create a matching portfolio.

5.2. If the investment objective for a particular investment manager changes, the Trustee will review the Plan's appointment to ensure it remains appropriate and consistent with the Trustee' wider investment objectives. When the Plan invests in pooled investment vehicles, the Trustee accepts that they have no ability to specify the risk profile and return targets of the manager but believe appropriate mandates can be selected to align with the overall investment strategy. When the Plan invests in a QIAIF (Qualified Investor Alternative Investment Fund) which is a "fund of one" or "fund of two" structure, the Trustee ensures that the risk profile and return targets of those strategies are in line with those of the parallel pooled fund and believes that this results in an appropriate mandate to align with the overall investment strategy.

5.3. The investment manager in which the Plan's assets is invested does not have performance-based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

5.4. The Trustee therefore considers that the method of remunerating investment fund managers where passive management is used is consistent with incentivising them to make decisions governed by their respective indices for their existing funds. Where active management is used, the investment manager's decisions should be based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, the Trustee believes it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

5.5. The Trustee accepts that they cannot influence the charging structure of the pooled funds in which the Plan is invested but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each pooled fund's stated characteristics. The Trustee has negotiated ad-valorem fees for the Plans' holdings which are commensurate with the charging structure for the parallel pooled funds. The Trustee is therefore satisfied that the remuneration of the underlying investment managers is appropriate and is consistent with the Trustee policies as set out in this SIP.

5.6. 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 across global equities, fixed income and cash in terms of reducing the risk that results from investment in any one particular market and asset class.

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 the combined portfolio of LDI, Credit and Equity to generate a long-term expected return of c. 0.5% over gilt returns per annum.

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. Monitoring of investment adviser and managers

9.1. The Trustee continually assesses and reviews the performance of their adviser in a qualitative way.

9.2. The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics, within the desired ESG/Climate change approach (see below). The Trustee utilises the investment advisers' forward-looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment advisers' assessment of the investment manager's idea generation, portfolio construction, implementation and business management.

9.3. The Trustee receives quarterly monitoring reports on the performance of the underlying investment managers as well as hedging against the Liability Benchmark Portfolio (LBP) from their investment adviser.

9.4. The reporting reviews the performance of the Plan's individual funds against their benchmarks and of the Plan's assets in aggregate against the Plan's strategic benchmark. The Trustee's focus is primarily on long-term performance but short-term performance is also reviewed. The Trustee may review a manager's appointment if:

- There are sustained periods of underperformance or unexplained outperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

9.5. Portfolio turnover costs refer to those incurred due to the buying, selling, lending or borrowing of investments. Given that the Plan invests in a range of pooled investment vehicles, the Trustee does not have an overall portfolio turnover target but reviews turnover at least annually and uses input from the investment advisor to assess the reasonableness of turnover and of associated costs. The Trustee receives MiFID II reporting from the investment managers annually, which provides this information.

10. Realisation of investments

10.1. 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.

11. Environment, Social and Governance (ESG) and Climate change/Carbon intensity considerations (see Appendix 3 for a statement of the Trustee's core beliefs and further details)

11.1. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in QIAIF structures with parallel 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. The Trustee will therefore rely on the policies and judgement of its investment manager. The Trustee will periodically review the policies of its investment manager. The Trustee ESG description applies to the equity and corporate bond holdings and does not consider cash or government bonds.

11.2. However, the Trustee must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. These include, but are not limited to, environmental, social and governance (ESG) factors. The Trustee believes that companies with high ESG credentials maintain strong relationships with customers, suppliers, employees, governments, regulators, providers of capital and society as a whole. This is evidenced by a positive corporate culture, ensuring compliance with laws and regulations, the health and safety of employees, considering their impact on communities and the environment and having an appropriate governance structure.

11.3. The Trustee recognises that ESG/Climate Change factors can influence the investment performance of the Plan's investments and, therefore, it is in the members' and Plan's best long-term interests that such factors are taken into account in the investment process. Consequently, the Trustee will consider and assess the investment managers' policy and approach to ESG/Climate Change when selecting and monitoring managers. This includes the investment managers' policy on voting and engagement.

12. Stewardship

12.1. 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.

12.2. The Trustee has given the appointed investment manager full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the investment manager's policies and report on engagement activities on an annual basis.

12.3. 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.

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

13. Decision-making structure

13.1. 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.

13.2. 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.

13.3. 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.

14. Fees, charges and other costs

14.1. 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.

14.2. The Trustee has agreed Terms of Business with Mercer, the Plan's investment adviser, actuaries and administrators, under which charges are calculated on a time-cost basis or fixed fee basis as agreed by the Trustee.

14.3. The investment manager receives fees calculated by reference to the market value of the Plan's assets under management. The Trustee considers that this is the most appropriate fee structure for the QIAIF investments for which there are parallel pooled funds.

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

15. Review of the SIP

15.1. 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.

15.2. This SIP supersedes the SIP prepared and signed by the Trustee in June 2019, September 2020, June 2023 and December 2023.

Signed for and on behalf of
Wellcome Trust Pensions Trustee Limited in capacity as Trustee for the Wellcome Trust Pension Plan

…………………………………..
Date

…………………………………..

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.

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 Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan's assets are invested in QIAIF structures which are readily realisable.
- Since the closure of the Plan to new contributions, the Plan is receiving cash dividends from its developed market equity and credit holdings (rather than investing in accumulation units).

Leverage Risk

- Derivative instruments are used to support the hedging the interest rate and inflation sensitivity of the Plan's liabilities – this involves the use of leverage. Using leverage means small changes in underlying conditions can produce larger changes in the value of the Plan's investments than if only physical assets were held.
- Leverage risk is therefore the risk that underlying conditions negatively impact the Plan to the extent that additional assets will need to be used to support the use of derivatives.
- The Plan's use of leverage is modest, but LGIM will inform the Plan on a regular basis of the optimal level of collateral, and what relation the current available collateral has as to these levels. The Trustee has not set a formal target with respect to the use of leverage but will monitor actual leverage levels over time.

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.

Environmental, Social and Governance Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.
- The Trustee manages this risk by investing with well-respected investment managers where ESG principles are appropriately included in the investment decision-making process, see section 11 above and Appendix 3 below.
- The Trustee is aware that Responsible Investing is one of the core beliefs of the investment managers and the investment adviser. As a result, part of the rating process of the investment adviser and decision-making process of the investment managers in relation to the underlying securities held is based on its financial stewardship and how well the investment managers integrate governance and sustainability into its investment process.
- The Trustee delegates 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 and broader 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 Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the sponsor's activities and investment portfolio, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor and its portfolio. Regular updates on employer covenant are provided to the Trustee by senior staff of the Sponsoring Employer.

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 and Inflation risk

- This is the risk that an investment's value will change due to a change in the level of interest rates or market implied inflation. This affects debt instruments more directly than growth instruments.
- The Trustee acknowledge that the interest rate and inflation risks related to individual debt instruments, and particularly its liability driven instruments (LDI), are 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, equities in QIAIF, 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 – i.e., 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's 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

Where the Plan invests in QIAIF structures with parallel 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 annually, 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

Where the Plan invests in QIAIF structures with parallel 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.

June 2023/reviewed December 2023 and December 2024

Appendix 2 – Summary of Updates

This section includes a summary of updates for each iteration of the Statement of Investment principles.

Date	Reason/Update
September 2020	Baseline
September 2021	Updated to include wording to cover that the trustees monitor LGIM's transactions costs within the funds invested. This can be found in Section 9.
June 2023	Change in the underlying strategy (section 2 and section 3) Detail information on Plan's ESG beliefs. This can be found in Appendix 3.
December 2023	Change in the underlying strategy (section 2 and section 3)
December 2024	Change in the underlying strategy (section 2 and section 3)

Appendix 3 – DC Section

Prior to 1 July 2022, some contributions were made on a money purchase basis and from time to time, at the request of the employer with the agreement of the individual member, it grants money purchase benefits on severance which are facilitated via the AVC arrangement, currently with Standard Life. Whilst these money purchase benefits (“DC augmentations”) were invested and treated as AVCs, these benefits are technically regarded as money purchase benefit as defined in Section 181(1) of the Pension Schemes Act 1993. The DC augmentation funds are invested with Standard Life. We note that there are no new contributions, since the Plan has closed to new contributions.

1. The default investment option

Members of the Plan who had money purchase benefits which derive from individual benefit augmentations and who did not make an explicit choice regarding the investment of their funds were invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant.

The default arrangement is solely 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

In determining the investment strategy for the default, the Trustee has received formal written investment advice from their investment managers. The Trustee has explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments.

Assets in the default investment option are invested in the best interests of members and beneficiaries. Taking into account the demographics of the Plan’s membership and the Trustee’s views of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate. However, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme’s demographic or membership behaviour.

2. Fund choices

To balance the investment needs of members, the Trustee offers a range of self-select funds alongside the default investment strategy. Members can opt out of the default strategy as they have the option to invest in self-select funds from the full range offered by Standard Life. The range of investment options cover multiple asset classes and provide appropriate strategic choices for members’ different savings objectives, risk profiles and time horizons. It is to be noted that the default fund is not an ESG fund unlike the DB investments.

3. Policy for choosing investments

3.1 The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis.

3.2. The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset classes being selected.

3.3. The Trustee look to their investment adviser for their forward-looking assessment of an investment manager's ability to deliver upon its stated objectives over a full market cycle. This view will be based on the adviser assessment of the investment manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment that the Plan invests in. The investment adviser's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee. These ratings are used in decisions around selection, retention and removal of manager appointments.

4. Kinds of investments to be held

4.1. 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.

4.2. If the investment objective for a particular investment manager change, the Trustee will review the Plan's appointment to ensure it remains appropriate and consistent with the Trustee' wider investment objectives. As the Plan invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager but believe appropriate mandates can be selected to align with the overall investment strategy.

4.3. The investment manager in which the Plan's assets is invested does not have performance-based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

4.4. The Trustee therefore consider that the method of remunerating investment fund managers is consistent with incentivising them to make decisions governed by their respective indices for their existing passive funds. Should the Trustee invest in active funds at a future date; the investment manager's decisions should be based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, the Trustee believes it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

4.5. The Trustee accepts that they cannot influence the charging structure of the pooled funds in which the Plan is invested but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each pooled fund's stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee policies as set out in this SIP.

5. Risks

The Trustee recognise that in a defined contribution arrangement, members assume the investment risks themselves. The main types of investment risk are and how they are monitored and managed are noted below:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	Members are able to set their own investment allocations, in line with their risk tolerances. The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser. The Trustee acknowledges that the assessment of credit risk on individual debt instruments is the responsibility of the investment manager. The Trustee will however ensure that they are comfortable with the amount of risk that the Plan's investment managers take.
	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.	
	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.	
	Other Price Risk	This is the risk that principally arises in relation to the return seeking assets such as equities.	
Environmental and social and governance ("ESG") risks		This is the risk that ESG factors, including climate change, have a financially material impact on the return of the Plan's assets. These risk factors can have a significant effect on the long-term performance of the assets the Plan holds.	Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.
Pension Conversion Risk		This is the risk that member is invested in a strategy that does not	The Trustee makes available a wide range of funds which enable members to manage this risk.

	reflect the way in which they intend to take their benefits at retirement.	The Trustee will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.
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, and by appointing Mercer to monitor and replace (following Trustee consent) any managers where concerns exist over their continued ability to deliver the investment mandate.
Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustee invests in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

6. Monitoring of investment adviser and managers

6.1. The Trustee continually assess and review the performance of its adviser in a qualitative way.

6.2. The Trustee monitors the performance of the Plan's investments throughout the year and receives regular performance reports from their investment manager.

6.3. The Trustee may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

7. Portfolio turnover

The Trustee considers portfolio turnover costs as part of the annual value for members assessment and in the Chair Statement.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range. Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for the Plan.

Mercer receive the information required in relation to the pooled funds from LGIM on an annual basis.

8. Investment manager turnover

The Trustee is a long-term investor and is not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The self-select fund range and default option are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or self-select fund range.

9. Socially responsible investment and investment rights

9.1. 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. The Trustee will therefore rely on the policies and judgement of its investment manager. The Trustee will periodically review the policies of its investment manager.

9.2. However, the Trustee also understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. These include, but are not limited to, environmental, social and governance (ESG) factors.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Plan's investments and, therefore, it is in the members' and Plan's best interests that such factors are taken into account in the investment process. Consequently, the Trustee will also consider the investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee' responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

9.3. The Trustee will review available products and approaches to ESG factors and strive for the Plan to continue to deliver strong risk adjusted returns, incorporating responsible investment principles into the process where possible.

9.4. 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 delegated responsibility to Mercer to receive and review Standard Life's corporate governance policy. The Trustee is satisfied with the policies as described in these documents.

9.5. The Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Other non-financial considerations are not implemented in the current investment strategy.

9.6. The Trustee currently does not actively solicit member views with respect to the selection, retention and realisation of investments.

10. Stewardship

10.1. 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.

10.2. The Trustee has given the appointed investment manager full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the investment manager' policies and engagement activities (where applicable) on an annual basis.

10.3. 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

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

Appendix 4; Environment, Social and Governance (ESG) and Climate change/Carbon intensity considerations

1. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through QIAIF structures with parallel 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. The Trustee will therefore rely on the policies and judgement of its investment manager. The Trustee will periodically review the policies of its investment manager.

   However, the Trustee must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. These include, but are not limited to, environmental, social and governance (ESG) factors. The Trustee ESG description applies to the equity and corporate bond holdings and does not cover cash or government bonds. The Trustee believes that companies with high ESG credentials maintain strong relationships with customers, suppliers, employees, governments, regulators, providers of capital and society as a whole. This is evidenced by a positive corporate culture, ensuring compliance with laws and regulations, the health and safety of employees, considering their impact on communities and the environment and having an appropriate governance structure.
   The Trustee recognises that ESG/Climate Change factors can influence the investment performance of the Plan's investments and, therefore, it is in the members' and Plan's best long-term interests that such factors are taken into account in the investment process. Consequently, the Trustee will consider and assess the investment managers' policy and approach to ESG/Climate Change when selecting and monitoring managers. This includes the investment managers' policy on voting and engagement.

   Emissions of greenhouse gases, resulting from human activity, are causing our climate to change. Net zero means achieving a balance between the greenhouse gases put into the atmosphere and those taken out.

   By reducing carbon emissions, governments, businesses and investors can protect assets from climate-related risks, ensure resilience within their business models and protect ecosystems. Businesses that do not take these environmental risks seriously put the long-term sustainability of their financial returns at stake.

   As a responsible investor, the Trustee believes there is a real opportunity to encourage and support the businesses that the Plan invests in, to decarbonise. It is believed that this will be good for them, and for the Plan's long-term investment returns and risk management.

   The plan to do this involves selecting an investment strategy in which the Plan's investment managers tilt the selection of companies towards those which are adopting a net zero strategy, whilst investing less in those which are not demonstrably moving in this direction – whilst also engaging with companies to move towards net zero.

   This is part of our overall approach to responsible investment and stewardship of our assets.

It is believed that this strategy will see the Plan's investments reach net zero by 2050 at the latest, which will be consonant with the values and approach of the corporate sponsor.

2. Statement of core beliefs; the Trustee believes the following
    - It is imperative that the selection of the investment manager and strategies for the Plan's assets reflect ESG factors in their approach to selection of investment securities and portfolio construction, to achieve the most robust risk-adjusted return outcomes at the Trustee's desired level of liquidity and transparency of oversight and ability to control.
    - Within the ESG range of considerations, the most important is Climate Change with Social and Governance considerations as joint second. This is consonant with the values and approach of Wellcome Trust.
    - The Plan aims to achieve "Net Zero by 2050" for the assets in its portfolio and has selected a strategy designed to achieve this.
    - The Plan is committed to Driving Down Carbon Emissions and will receive reporting from the manager to monitor that carbon emissions within the equity portfolio are being reduced by an average of 7%pa over the intervening period. This relies on underlying holding companies adopting science-based net zero targets. The corporate bond portfolio is also net zero aligned.
    - Engagement versus Exclusion, except Tobacco. The Trustee supports engagement as the cornerstone of the investment management approach, rather than excluding whole sectors which is viewed as a one-dimensional tool in a complex world. Climate change is a systemic risk that will affect all sectors.
    - It is vital that investors or the selected investment manager engages for change with companies and policy makers – we have chosen an investment manager with excellent experience of this.
    - Diversification within an equity portfolio continues to be very important, hence the Trustee has chosen an ESG/Climate Change tilted strategy which is diversified across stocks, regions and sectors with a relatively low ex poste and ex ante tracking error and the Trustee will continue to review this.

3. The Trustee has reviewed available LGIM products and approaches to ESG factors which are consonant with its beliefs and values and with the beliefs and values of Wellcome Trust. LGIM is currently the investment manager for the Plan's assets and is widely recognised as being in the forefront of investment managers with respect to ESG and Responsible Investment and is rated Level 1 in this regard by Mercer. The Trustee has selected the LGIM Futures World strategy, ex Tobacco for its equity holdings. The Trustee recognises that this strategy for Developed Markets equities (Hedged and Unhedged) will deliver returns and risks that will differ from the FTSE Developed World (ex Tobacco) Index and will monitor the extent of those differences to ensure that the selected strategy continues to have an appropriate likelihood of delivering targeted risk adjusted returns, over the medium/longer term.

a. 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.

b. The Trustee notes that tobacco companies currently make up 0.5-1% of the FTSE Developed Markets index. By investing the Plan's developed market equities in a fund that excludes tobacco companies, as well as having a tobacco exclusion in place for the corporate bond portfolio, 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. Other than that, the Trustee expects the investment managers to apply their ESG/Climate Change framework to score and then invest in individual companies and the Trustee will not exclude any other economic sectors or companies outright. However, the Trustee expects that the investment managers will sell positions or reject investments in companies that do not meet the required standards of corporate responsibility and/or are not meeting their carbon intensity/climate change targets within the agreed time scale. The Trustee monitors LGIM's product in respect to the above policy.

c. The Trustee will receive at least annual reports from the investment managers on the progress towards net zero and the progress on reducing the carbon intensity of the portfolio and will include a summary of progress in its reports to members.