

Wellcome Trust policy on Programme-Related Investments

Introduction

1. Charity Commission guidelines permit a charity to use charitable funds to provide funding to a company provided that the company's activities further the charity's objects.¹ This type of funding activity is referred to by the Charity Commission as Programme-Related Investments ("PRI") The guidelines distinguish between a) financial investment, where the primary object of the investment is to make a financial return (which can then be used to further the aims of the charity), b) PRI, where the primary object of the funding is to further the charity's objects, but where there may be some expectation of financial return and c) a grant, which is made to further the charity's objects, but with no expectation of return.
2. This document sets out the Wellcome Trust's ("Trust") Policy on PRI, which may be amended from time to time. This policy was updated from the previous version approved by the Board of Governors in October 2008 following the publication of the Charity Commission's new guidance on *Charities and Investment Matters* (CC14) in October 2011.

The policy

3. The Trust's policy is that it will use PRI as a way of funding commercial entities through its Innovations Division, and as a way of funding commercial or non-commercial entities through its other funding divisions on a case-by-case basis.
4. The primary purpose of the Trust in making a PRI is to further the charitable objects of the Trust (and not to produce a financial return as with a conventional investment). Nonetheless, if a financial return is generated from a PRI, the Trust will use this return to further its charitable objects.
5. The Trust may use a variety of PRI vehicles as appropriate to achieve its charitable aims, including without limitation loans, equity subscription or revenue participation.

Procedure

6. In deciding to make a PRI, the Trust must be satisfied in each case that:
 - (a) The PRI will contribute to the Trust's strategic aims.
 - (b) The PRI is an expedient way of using charitable funds to further one or more of its charitable objects in a given case, in terms of effectiveness and risk profile, having considered all relevant matters and taken independent advice if appropriate.
 - (c) The PRI will be used by the recipient company or entity to fund activities that further one or more of the Trust's objects.
 - (d) Appropriate legal agreements and other documentation are in place to safeguard the Trust's PRI by requiring the recipient entity not to use the PRI for any purpose other than for the purposes stipulated by the Trust. In the case of the Innovations Division, the

¹ "Charities and Investment Matters, A Guide for Trustees (CC14)' October 2011
<http://www.charitycommission.gov.uk/publications/cc14.aspx>

documentation will contain provisions to enable the Trust to secure an appropriate share of any financial return from the PRI, provisions to monitor its PRI and the use by the recipient entity of the resources provided by the Trust to ensure that they are being used to further the objects of the Trust and an exit strategy, where practical, in the event that the company does not comply with the Trust's requirements or becomes insolvent. In the case of other divisions, the documentation will contain provisions appropriate to the transaction, as approved by the Executive Board.

- (e) Any private benefit derived by the entity and its other investors from the PRI will be necessary, reasonable in all of the circumstances and in the interests of the charity, i.e.:
 - (i) The private benefit arises as a necessary but incidental consequence of the decision to achieve the public benefit through PRI.
 - (ii) Any private benefit is not excessive and the funding is clearly for the public benefit
 - (iii) Where there is potential for considerable economic gain by the recipient entity, the Trust will take all reasonable steps to ensure that the Trust shares equitably in the gain, while recognising that in certain circumstances, economic gain to the Trust may be waived if the Trust considers that doing so is an expedient way to better achieve its charitable objectives in that case (for example, because the funding recipient agrees other obligations in return, or the waiver facilitates other sources of funding, and in each case this benefits the charitable objectives).
 - (f) the PRI does not pose any unmanageable risk to the Trust's reputation, including in relation to the degree and nature of the potential private benefit.
 - (g) The application of the PRI has regard to the Charity Commission's guidelines on the use of PRI.
7. The delegation of authority by the Board of Governors with respect to Innovations includes the use of PRI for Innovations' activities that comply with this policy.
 8. The use of PRI for activities outside Innovations will be approved by the Executive Board on a case-by-case basis.

Governance

Responsibility: Innovations and Legal

Last updated: June 2014 (name change of Technology Transfer to Innovations)