

## Sales of Shares in Start-up Ventures Policy

<b>Operational Owner:</b>	Director or Head of Technology Transfer, Innovation Strategy
<b>Executive Owner:</b>	Pro-Vice-Chancellor, Research and Innovation (PVCRI)
<b>Effective date:</b>	May 2021
<b>Review date:</b>	May 2024 unless guided otherwise by legislation or good practice.
<b>Related documents:</b>	Intellectual Property Code Research and Innovation Strategy (2019 – 2022) Scheme of Delegation

### Approval History

Version	Reviewed by	Brief reason for review	Approved by	Date
0.1	PVCRI	Ensure alignment with Research and Innovation Strategy (2019 – 2022)		April '21
0.2	CFO	Ensure responsibilities falling on Finance Dept as a result of this policy can be met. Ensure that the policy maximises the financial return to the University.		April '21
0.3	Financial Committee	Ensure that the policy maximises the financial return to the University.		April '21
0.3	URIC	Approval		May '21
1.0	Council	Final approval		July '21

# **1 Introduction**

## **1.1 Purpose**

### **1.1.1 Background**

The University of Surrey has an overall mission of providing public benefit through its education, research and knowledge exchange functions, and part of that benefit may arise from activities around creating and supporting new and early-stage companies.

The University has a portfolio of shareholdings in a range of start-up companies. Typically (but not always), these shareholdings are in spin-outs: a form of start-up which is created in partnership with the University and based on intellectual property that originates from within the University.

The University permits access, or even ownership, of its intellectual property in return for a share of ownership in the start-up because in most cases the newly formed company is not financially able to purchase, nor license for a royalty, the University's intellectual property at market rates. In this scenario the University becomes a shareholder in the company in order to ultimately receive a financial benefit to itself which appropriately compensates the University for the investment of time and effort into the research which created the intellectual property. Normally the underlying research is paid for from a grant from a research council, ultimately funded from UK taxpayers.

UK Government encourages universities to create spin-outs, and take partial ownership in those companies, in order for the potential financial gain to be returned to the University to help fund further research or other University activities (and in this way increase the University's financial sustainability).

The University of Surrey therefore has a responsibility to manage its portfolio of shareholdings in a way which both supports the activities of the companies themselves, but also financially compensates the University appropriately for permitting access to intellectual property created from funding originating from UK taxpayers.

The timing of selling shares to meet these objectives, while not harming the prospects of our spin-out companies is important and a clearly established Sales of Shares Policy is fundamental to meeting these requirements. This document describes our policy in this regard.

## **1.2 Scope**

- 1.2.1 This policy applies to all companies in which the University of Surrey, or one of its wholly owned subsidiaries such as the University of Surrey Seed Fund Ltd, owns one or more shares, the ownership of which has been arrived at as a direct result of the University following its publicly stated research and innovation strategy. This policy does not apply to wholly owned University subsidiary companies, or other forms of shareholding which have not originated through research and innovation activities (for example, companies formed in partnership solely with other Higher Education Institutions).

## 1.3 Definitions

1.3.1 **Start-up:** a newly formed company, typically operating for less than five years.

**Spin-out:** form of start-up which may be partially owned by the University, and which has access to intellectual property originating from within the University.

**Intellectual property:** a category of property that includes intangible creations of the human intellect. The most well-known types of intellectual property are copyrights, patents, trademarks, know-how, and trade secrets.

**Quoted shares:** shares owned by the University in a company listed on a public stock market.

**Unquoted shares:** shares owned by the University in a company not listed on a public stock market.

## 2 Policy Principles

### 2.1 Principles

1. The University is firmly committed to ensuring our collective decision-making on IP should create positive impact and be for the public benefit (the first principle of our Intellectual Property Code<sup>1</sup>). This policy inherits this principle because in the majority of cases our ownership of shares in companies arises because of decisions taken to enable access to University owned intellectual property.
2. The University's 'IP Code' will govern the internal allocation of the proceeds received from selling any University owned shares obtained in exchange for access to University IP.
3. The University's 'scheme of delegation' will govern the internal approvals required to sell University owned shares.
4. The primary responsibility for monitoring, managing and making recommendations for the sale of shares will be allocated to the Technology Transfer Office.
5. The University, in its capacity as a shareholder, will at all times follow UK legislation and behave in a responsible way befitting its charitable position in society.
6. The University, in its capacity as a shareholder, will be beholden to the terms and conditions of the shareholders agreement signed prior to becoming a shareholder in a given company.
7. The University has a responsibility to itself and to the UK taxpayer, in the absence of alternative value propositions in meeting Principle 1, to seek a return on the investment the taxpayer has made (via central government and its research councils) into supporting the research which created the underlying intellectual property upon which enabled the shareholding to arise.

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<sup>1</sup> <https://www.surrey.ac.uk/innovation/our-innovators/our-intellectual-property-code>

## 2.2 Procedures

### 2.2.1 Procedures and protocols for sale of quoted shares

The University Technology Transfer Office will be responsible for:

- Keeping the share price under review, reading financial information and monitoring general health of relevant companies;
- Making a recommendation that the University should sell all or part of its shareholding and, in seeking approval to sell, using the scheme of delegation to obtain the required approvals;
- Seeking the required approvals to discharge any shareholder duties that may arise via the scheme of delegation;
- Proactively seeking to dispose, in the absence of case-specific factors, around 20% of the University's quoted shareholding in a company per year, for a period of five years, so that five years after a company has been quoted on a public stock market the University is divested of its share ownership in that quoted company; and
- Contributing financial information on relevant companies to the University's annual 'Commercial Income Report' submitted to Finance Committee.

### 2.2.2 Procedures and protocols for sale of unquoted shares

The University Technology Transfer Office will be responsible for:

- Keeping a permanent record of the Shareholder Agreement (between the University and the company) and a copy of any other relevant legal documents (such as the Investor Agreement, or the company's articles of association);
- Proactively seek to ensure that the relevant companies meet their obligations to the University (in our capacity as a shareholder) which includes sending the University the annual financial accounts of the company and providing to the University any other data which is requested to facilitate reports to funders and central government on the status of companies in which universities are a shareholder<sup>2</sup>;
- Ensuring the company board is aware of this policy and any major changes to this policy;
- Monitoring the status of all unquoted shareholding portfolio companies including reading financial information, shareholder reports, and other information;
- Making a recommendation that the University should sell all or part of its shareholding, and in seeking approval to sell, using the scheme of delegation to seek the required approvals.
- Seeking the required approvals to discharge any shareholder duties that may arise via the scheme of delegation; and
- Contributing financial information on relevant companies to the University's annual 'Commercial Income Report' submitted to Finance Committee.

## 3 Governance Requirements

### 3.1 Responsibility for this policy

- 3.1.1 Overall responsibility for the creation and maintenance of this policy lies with the Pro-Vice-Chancellor, Research and Innovation (PVCRI), operationally delegated to either the Director of Innovation Strategy or Head of Technology Transfer.

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<sup>2</sup> <https://www.hesa.ac.uk/data-and-analysis/business-community/ip-and-startups>

## 3.2 Implementation / Communication Plan

- 3.2.1 The policy is published on the University's externally facing [policy webpages](#), and linked to from the University's Innovation webpages, specifically the pages which describe the University's Intellectual Property Code.
- 3.2.1 The Director of Innovation Strategy, or Head of Technology Transfer, will write to every company secretary within the University's portfolio of unquoted shareholding's informing them of the creation of this policy and of any major modifications to this policy as and when they are made.

## 3.3 Exceptions to this Policy

- 3.3.1 This policy does not apply to wholly owned University subsidiary companies (such as the University of Surrey Seed Fund), or other forms of shareholding which have not originated through research and innovation activities (for example, companies formed in partnership solely with other Higher Education Institutions).

## 3.4 Review and Update

- 3.4.1 This policy will be reviewed annually, at the same time as the University's Intellectual Property Code is reviewed, or if other external events materially impact this policy (such as changes to relevant legislation).

Minor changes will be made by the Director of Innovation Strategy or Head of Technology Transfer (IS), with anything other than clarifications to be agreed by the Pro-Vice-Chancellor, Research and Innovation (PVCRI). Major changes will be submitted via the University Research and Innovation Committee (URIC) and the University Council's Finance Committee (FinCom). Associated processes (as documented within Section 2) are expected to evolve over time and will be subject to review as required.

## 3.5 Stakeholder Statements

- 3.6.1 **Stakeholder General:** This policy has been reviewed by the respective areas of: Governance and Risk Assurance; Directors of Innovation Strategy from the Pro-Vice-Chancellor, Research and Innovation portfolio and the Chief Financial Officer.
- 3.6.2 **Equality:** It is not anticipated that this policy will have any negative impact on any groups protected within the characteristics under the Equality Act 2010.
- 3.6.3 **Health & Safety:** There are no Health and Safety implications.