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# Best Execution and Order Handling Policy

Towers Watson Investment Management Limited

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# Best Execution and Order Handling Policy

## 1. Introduction

This policy sets forth Towers Watson Investment Management Limited's (TWIM / the Firm) methodology for achieving the best possible result when executing orders for the Firm's clients, taking into account the "execution factors" of price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration.

The Firm will always look to deliver the best possible result when executing client orders. This applies in relation to all types of financial instruments. However, given the differences in market structures or the structure of financial instruments, it may be difficult to identify and apply a uniform standard of, and procedure for, best execution that would be valid and effective for all classes of instruments. Best execution obligations should therefore be applied in a manner that takes into account the different circumstances associated with the execution of orders related to particular types of financial instruments.

The Firm will take all sufficient steps to obtain the best possible result for clients when executing orders, subject to any specific client instructions. If a client has provided specific instructions for part of an order then the Firm will execute the remaining part of the order in line with this procedure. The Firm will act in the best interests of its clients when it passes client orders to other entities for execution.

The Firm will provide its clients with appropriate information on its best execution policy, and where relevant, gain their consent.

This policy applies to Professional Clients of the Firm only, unless otherwise agreed in writing by a client who is not a Professional Client. The Firm does not deal directly with or for retail clients.

This policy does not cover third party order execution policies, further detail on monitoring and oversight of third party execution in segregated accounts please refer to the TWL and TWIM Best Execution Monitoring Policy for Segregated Accounts.

## 2. Execution Factors

Where we 'place' or 'execute' orders, through the subscription/redemption of CIS investments and otherwise in limited circumstances, we are required to take account the following execution factors and decide on their relative importance:

- price;
- costs;
- speed of execution;
- likelihood of execution and settlement;
- size of order;
- nature of order; and
- any other consideration relating to the execution of the order

As the vast majority of our transacting takes place through a delegated investment management arrangement, the relevance of the best execution factors above will be applied in a manner proportionate to our limited 'placing' or 'executing' activity. Notwithstanding, our priority is to obtain the best possible result for our clients.

The following table details how the above execution factors will be applied when placing orders in both CIS investments and segregated accounts.

Execution factor	Nature of orders applicable to TWIM	
	CIS	Segregated account
<b>Price</b>	There is only one vendor for CIS and so only one available price.	The responsibility for the best price is delegated to the third party. TWIM perform an oversight role of these parties carrying out orders
<b>Costs</b>	There is only one vendor for CIS. In some circumstances there may be bid-offer spreads. TWIM engage with the manager to determine if any savings can be made through crossing investors	The responsibility for the trading costs is delegated to the third party. TWIM perform an oversight role of these parties carrying out orders
<b>Speed</b>	CIS have pre-determined redemptions and subscription terms.	The responsibility for the speed of execution is delegated to the third party. TWIM perform an oversight role of these parties carrying out orders
<b>Likelihood of execution and settlement</b>	There are set terms for each CIS in terms of settlement.	The responsibility for likelihood of execution is delegated to the third party. TWIM perform an oversight role of these parties carrying out orders
<b>Size of order</b>	There is only one vendor for CIS and so only one available price.	Dependent on the situation, TWIM may delegate the responsibility for size of order to a third party or it may confirm the size of the order to be executed by the third party. TWIM perform an oversight role of the third parties carrying out orders.

### 3. Instruments covered in this policy

The policy covers all Financial Instruments traded by the Firm which include but are not limited to:

- Any investment fund or security which is purchased from a recognised market or exchange via a broker;
- Units or shares of non-exchange traded Collective Investment Schemes;
- OTC Derivatives – Forward Foreign Exchange Contracts;
- Exchange traded derivatives; or
- Exchange Traded Funds (ETFs).

### 4. Execution Methodology

It should be noted that, as TWIM does not primarily deal in underlying securities on behalf of its clients but invests through Collective Investment Schemes, or appoints third parties to deal in the underlying instruments (within segregated accounts), the relevance of best execution factors under COBS 11.2A.2 will be applied in a manner proportionate to the activities of the Firm.

Therefore where the Firm does trade it will be the factors of price and cost that are of primary consideration when determining the best outcome for clients.

The main types of financial instrument that the Firm deals in are Collective Investment Schemes and Forward Foreign Exchange Contracts. For segregated mandates which are otherwise managed by third parties, TWIM may be appointed to provide certain services. Where this is the case, TWIM typically deal in currency hedging and equity market options for hedging purposes, dealing in fixed

income securities and derivatives, and segregated equity accounts, dealing in equity market securities.

### **Collective Investment Schemes**

Orders in collective investment schemes are generally placed with the relevant administrator of the scheme.

### **Forward Foreign Exchange**

Orders relating to forward foreign exchange may be executed through the relevant fund custodian or a sub-advisor with the following factors considered:

- The Firm uses a variety of methods to access markets, seeking to use the experience of brokers in so far as they may improve the terms on which the Firm can trade in those markets. The firm's aim is to find the execution venues that best match its trading philosophy and help the Firm add value to each transaction or series of transactions.
- Where the Firm has appointed a sub-advisor the Firm will ensure that the sub-advisor has implemented and maintains an appropriate order execution policy and will periodically review the quality of execution being received.
- As a minimum the Firm expects its counterparties to be professional, and to achieve high standards, in both execution and settlement. The Firm assesses brokers on their ability to achieve trading objectives in accordance with applicable market standards.

### **Exchange Traded Funds**

Orders relating to exchange traded funds may be executed through a broker with the following factors considered:

- As a minimum the Firm expects its counterparties to be professional, and to achieve high standards, in both execution and settlement. The Firm assesses brokers on their ability to achieve trading objectives in accordance with applicable market standards.
- The Firm expects best execution to be achieved by all appointed brokers in accordance with the requirements of the exchanges in which they operate.
- Any broker used by the Firm must satisfy the minimum standards set by its Broker Approval and Review Committee. The Firm restricts the number of brokers on its list, to ensure that it can appropriately manage the relationships and the service they provide to us.
- The Firm has established a Broker Approval and Review Committee and adopted guidelines for the evaluation of its execution venues. The broker evaluation process takes into account the "execution factors": price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration tailored to the requirements of particular clients, order types, financial instruments and markets.

### **Segregated derivative overlay mandates**

Orders are placed directly with the sub-advisor managing the segregated account. The sub-advisor will execute trades in line with their own order execution policy. The Firm will ensure that the sub-

advisor has implemented and maintains an appropriate order execution policy and will periodically review the quality of execution being received. All orders will be reviewed and signed off by a senior member of WTW's Structured Products team and a Portfolio Manager.

### Segregated equity accounts

Orders are placed directly with the sub-advisor managing the segregated account. The sub-advisor will execute trades in line with its own order execution policy. The Firm will ensure that the sub-advisor has implemented and maintains an appropriate order execution policy and will periodically review the quality of execution being received.

## 5. Dealing process

At TWIM investment decisions are controlled by the Investment Committee or the Portfolio Management (PM) team of each fund or segregated mandate.

Investment options are discussed by the Investment Committee or PM teams before a decision is made.

Execution: Investment decisions are made by the Investment Committee or PM team, with the portfolio manager taking responsibility to then pass these decisions on to the appropriate venue in accordance with the Firm's policy (see Venue Selection procedures below) and the order implemented within those parameters.

Once the trade has been placed and filled, details of the trade are confirmed by TWIM before being passed to the TWIM Operations team. These details are matched with broker confirmations and marked for accounting by the Operations team.

All dealing records must be held for a minimum period of 5 years from the transaction date.

## 6. Venue Selection

It is Firm policy to select the broker most likely to provide best execution for the order in question. The Firm will place orders for execution only with approved venues that have been selected and placed on the approved list maintained by the Broker Review Committee.

The Firm has a choice of execution venues including Brokers, Exchanges and MTF's (Multilateral Trading Facilities). Currently there are no approved venues on the approved list.

When selecting which of the approved brokers to use the Firm considers the following factors: price; costs; speed; likelihood of execution and settlement; size of order; nature of order or any other relevant consideration.

The relevant importance of each of the above factors will be determined for each venue by using its experience and knowledge of the market, taking into account the following execution criteria:

- a) the characteristics of financial instruments that are the subject of that order;
- b) the characteristics of the execution venues to which that order can be directed;
- c) the characteristics of the TWIM fund or client including the categorisation of the client as professional; and
- d) the characteristics of the TWIM fund or client order.

In the majority of cases for Professional Clients the Firm would typically expect that the most significant issue to be taken into account will be the total consideration to be paid or received in each case such that there will be greater weight on the price and costs associated with each trade.



However, there will be circumstances when other factors may be more important or relevant and, as discretionary managers, the Firm must use its judgement and experience to give greater prominence to them.

#### Notes on venue selection

- For certain Markets/Instruments it is possible for the Firm to choose only one venue where the Firm has reason to believe and can demonstrate that one venue only will provide the best possible result for the customer. This choice will be reviewed on a periodic basis.
- Orders may be executed on exchange or off exchange.
- Not all venues used by the Firm may be listed in the policy at any one time. The Firm may use other venues not listed in the policy, subject to the prior approval of the Broker Review Committee.

## 7. Financial Conduct Authority (FCA) Transaction Reporting

A Transaction Report to the FCA is required when execution occurs:

- In any financial instrument admitted to trading on a regulated market or a prescribed market (whether or not the transaction was carried out on such a market); or
- In any OTC derivative the value of which is derived from, or which is otherwise dependent upon, an equity or debt-related financial instrument which is admitted to trading on a regulated market or on a prescribed market; or
- In any financial instrument admitted to trading on any market the value of which is derived from, or which is otherwise dependent upon, an equity or debt-related financial instrument which is admitted to trading on a UK regulated market or on a prescribed market.

These requirements apply across the EEA and in any trading that takes place in dual listed securities outside the EEA.

## 8. Disclosure requirements

The Firm must make appropriate information available to clients on its order execution policy before it can execute any orders for them.

Since the Firm may also trade outside a regulated market or MTF in respect of instruments admitted to trading by those means, it is also required to obtain clients' prior express consent to this (COBS 11.2.26).

As part of the Firm's regulatory obligations, it has a Disclosure Statement in respect of its best execution policy that sets out an overview of the policy in place to ensure that the Firm obtains the best possible results for its clients.

## 9. Fund Order Handling

The Firm will satisfy the following conditions when carrying out orders on behalf of the TWIM Funds:

- (1) it will ensure that orders executed on behalf of Funds are promptly and accurately recorded and allocated; and

- (2) it will carry out otherwise comparable orders simultaneously and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the Fund require otherwise.
- (3) in instances where large orders are instructed, in order to balance the best execution factors of speed and price, orders may be tranced in an efficient manner, breaking large orders up into a number of smaller orders in order to minimise market impact

## 10. Use of Dealing Commissions

The Firm does not make use of commission sharing arrangements.

## 11. Aggregation and Allocation

This applies to a trade in a single underlying instrument across multiple Funds or client accounts. These activities do not typically form part of TWIM's regular business, however if circumstances arose where aggregation and allocation of fund orders were to be required, the Firm would apply the following principles.

### Aggregation

The Firm may aggregate a fund order with those of other funds (and clients of affiliates of the Firm) and its own account from time to time for the efficient execution of orders for the benefit of all clients of the fund. The Firm will endeavour to not carry out a fund order or a transaction in aggregation with another order if it is likely that the aggregation of orders will work to the disadvantage of any client of the funds whose orders are to be aggregated.

In the event that an aggregation would disadvantage a fund, it must be disclosed to each fund management team whose order may be aggregated, that the effect of aggregation may work to its disadvantage in relation to a particular order.

The Firm will take into account the investment strategy and risk profile of each customer before allocating aggregated orders.

Fund orders that are aggregated with an order for the Firm's own account will be allocated with priority to the fund(s) at all times. However, if the Firm would not have been able to carry out the order on such advantageous terms without aggregating the fund order with an order for the Firm's account or at all it may allocate the transaction for its own account proportionally, in accordance with the Allocation Policy below.

### Allocation

When allocating orders across funds or client accounts, the following methodologies and factors will be considered:

- Pro rata;
- Pari passu;
- Volume of the order;
- Capacity of the relevant portfolio in line with investment restrictions;
- Time horizons; and
- Price of the order.

Allocations among clients with the same or a similar investment objective should be pro-rata based on the relative market values of the aggregated funds and clients' portfolios.

Where the aggregated orders are executed in differently sized tranches and at different prices the allocation will be made at the weighted average price achieved.

If an order is partially executed, the subsequent related orders required to complete the original aggregated order must be allocated on the same basis as the original order.

Deviations from the general rule may be permitted in the following specific circumstances where allocations may be based on:

- existing positions in the fund and client accounts;
- different risk limits where the use of pro rate based on portfolio assets may mean a fund or client exceeds a risk limit;
- the availability of cash in the particular accounts;
- tax reasons; and
- shares to be allocated to largest account if the securities traded are too small to be reasonably allocated to all funds and clients.

## 12. Cross Trades

In instances where the Firm transfers securities between client accounts (cross trade) the Firm will ensure such transfers are beneficial to both customers and are executed at a fair price, and the trade not subject to a specific prohibition.

Any such trades should be replete with a detailed rationale and subject to review within the Investment Committee.

## 13. Review procedure

The Firm will monitor on a regular basis the effectiveness of this policy and, in particular, the execution quality of the entities identified in the policy. Where the monitoring reveals the need for any changes or enhancements to be made, these will be implemented as appropriate.

The Firm will review this execution policy on an annual basis and also whenever a material change occurs that affects its ability to continue to obtain the best possible result for clients. If the Firm makes material changes to this policy and subsequent changes to information made available to clients, the Firm will notify its clients and employees.

In the event that an aggregation would disadvantage a fund, it must be disclosed to each fund management team whose order may be aggregated, that the effect of aggregation may work to its disadvantage in relation to a particular order.

The Firm will take into account the investment strategy and risk profile of each customer before allocating aggregated orders.

Fund orders that are aggregated with an order for the Firm's own account will be allocated with priority to the fund(s) at all times. However, if the Firm would not have been able to carry out the order on such advantageous terms without aggregating the fund order with an order for the Firm's account or at all it may allocate the transaction for its own account proportionally, in accordance with the Allocation Policy below.



## About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).