

Towers Watson Limited – Advisory and Delegated services – Order Execution Reporting for Calendar Year 2020

The following tables comprise the annual report that Towers Watson Limited (TWL) is required to make public to its clients. It is essential to enable the public and investors to evaluate the quality of an investment firm’s execution practices and to identify the top five execution venues in terms of trading volumes where investment firms executed client orders in the preceding year.

- 1) For trades where we are receiving and transmitting orders (RTO) – this equates to all advisory trades
- 2) For trades where we are executing orders directly – this equates to all delegated trades

TWL provides services to clients on both an advisory basis and a delegated basis.

Under the advisory model, TWL provides recommendations to clients with respect to the selection and deselection of managers and changes to the asset allocation or investment strategy within their portfolio.

Under the delegated model, clients authorise TWL to make decisions and implement changes to their portfolio on their behalf. This usually includes the selection, retention and deselection of managers and changes to the asset allocation of their portfolio. Clients set parameters around their portfolio with regards to which decisions TWL may make on their behalf.

This document applies to:

- Those trades that were received by TWL’s Advisory service and which were transmitted to another entity for execution. The data in this report is based on all trades that were received from advisory clients and transmitted to another entity for execution, over calendar year 2020. For the avoidance of doubt, this report also includes detail on those trades that did not fall under the definition of trades for advisory clients because the service did not amount to receiving and transmitting orders.
- Those trades that were executed by the Delegated service. The data in this report is based on all trades that were executed over calendar year 2020.

The report comprises the following sections:

- 1) Information on the firm’s top five Execution venues
- 2) Summary analysis of execution quality in relation to top five Execution venues

Section 1) TWL Advisory service – Information on top five Execution Venues

Class of instrument	Other instruments (Regulated and unregulated open ended collective investment schemes, forward FX)	
Notification if <1 average trade per business day in the previous year	No – Greater than 1 advisory trade was executed, on average per business day, during calendar year 2020.	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class
BlackRock Investment Management Ltd 549300QXP30FD81KVQQ43	17.22%	17.02%
Towers Watson Investment Management Ireland 1 plc 635400NDTKUMI7SKHW08	17.22%	15.62%

6354005AONA6UNGX9Y55 635400OKW9VXQS2UEG75 635400YBBH36RSIX8C52 635400TNHQWNGLIUJ486 635400APLUSOLFT4TD09		
State Street Global Advisors Ltd 8KEPZEVXKHU6G2ROSD14	13.60%	7.46%
Insight Investment Funds Management Ltd 213800GJUQIAM2UBS387	13.03%	3.26%
Legal & General Investment Management 2138005NNERSR7ODIC73	10.12%	10.96%

TWL Delegated service - Information on top five Execution Venues

Class of instrument	Other instruments (Regulated and unregulated open ended collective investment schemes, forward FX)	
Notification if <1 average trade per business day in the previous year	No – Greater than 1 Delegated trade was executed, on average per business day, during calendar year 2020.	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class
Insight Investment Funds Management Ltd 213800GJUQIAM2UBS387	22.45%	28.26%
Towers Watson Investment Management Ireland 1 plc 635400NDTKUMI7SKHW08 6354005AONA6UNGX9Y55 635400OKW9VXQS2UEG75 635400YBBH36RSIX8C52 635400TNHQWNGLIUJ486 635400APLUSOLFT4TD09	19.78%	20.50%
Legal & General Investment Management 2138005NNERSR7ODIC73	16.48%	14.44%
AXA Investment Management Ltd 213800PZDUGEXMRMKR15	6.93%	0.70%
BlackRock Investment Management Ltd 549300QXP30FD81KVQQ43	5.95%	2.80%

Section 2) TWL Advisory and Delegated service - Summary analysis of execution quality

Class of instrument	Other instruments – (Regulated and unregulated open ended collective investment schemes, forward FX)
Requirement	Explain the relative importance given to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution

<p>TWL Response</p>	<p>(i) Collective investment schemes Orders tend to be placed through the completion of a subscription form which is sent to the relevant operator in order for TWL to transact on behalf of its clients.</p> <p>TWL considers that price is not a factor when assessing the quality of execution as there is only one route to execution for each transaction through which the price of the transaction is determined. The costs of each transaction are fixed, so cost is also not a factor when assessing the quality of execution.</p> <p>TWL considers that speed of execution is not a factor to be considered as there are pre-agreed dealing times for subscribing and redeeming, dictated by the venue.</p> <p>TWL considers that the size of the order is a factor in assessing the quality of execution, however, this is only a factor if a dilution levy is applied to the order.</p> <p>In assessing the quality of execution for transactions in, we place relatively high importance on how quickly the order to subscribe or redeem units is transacted.</p> <p>Note that there were no secondary market transactions made by TWL during calendar year 2020.</p> <p>(ii) Forward foreign exchange TWL occasionally executes forward FX in order to a manager currency exposure during complex transitions.</p> <p>TWL considers that price and cost are factors to be considered. For this reason, all forward foreign exchange is executed via our FX agent with all trades subject to independent transaction cost analysis.</p> <p>TWL considers that speed of execution is not a factor to be considered as the timing of the trade will be determined by the wider transition plan.</p>
<p>Requirement</p>	<p>Describe any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders</p>
<p>TWL Response</p>	<p>Close links</p> <p>Of the top five Execution venues reported, Towers Watson Investment Management (Ireland) (TWIMI) is a Close Link of TWL as both entities are part of the Willis Towers Watson group. Controls are in place to ensure that any transactions are conducted on an arm’s length basis – and only when it is in the client’s best interest to do so.</p> <p>Conflicts of interest</p> <p>The top five Execution venues are all investment managers, with our clients investing assets in products managed by those managers. There are a number of possible conflicts involved in recommending investment managers’ products to our clients, and these are discussed below.</p> <p>Our Manager Research team is independent of all external investment managers. The team maintains up to date research on a selected group of managers, with that selection being the result of extensive screening of the full universe. We aim to have, at all times, a high-quality line up of managers to recommend to our advisory clients in</p>

every asset class that we believe are likely to be of interest to, and in practice implementable for our clients.

If, for a particular investment opportunity, there is more demand from clients than available capacity, we apply our Fair Allocation Policy, which ensures that no client, or group of clients, is given preferential treatment over any other.

If the Manager Research team downgrades a rating on a specific external investment manager product, all clients invested in that product are told of the rating change (via a system generated email, unless they have opted out) at the same time as all of our client consultants and delegated portfolio managers.

Each TWIM fund exists to provide an improved solution, net of fees, to clients, in comparison to the standard products we are aware of that are offered by asset managers. For comparative purposes, we maintain a list of our preferred non-Willis Towers Watson single manager multi-asset class funds that we can provide to clients when they are considering the use of TWIM funds.

We do not, as standard, maintain ratings on our direct competitors. We define a competitor as a firm that provides open-architecture, multi-manager, multi-strategy solutions. We will undertake specific projects as requested by clients to research and provide a rating on a competitor firm, subject to the agreement of that competitor to provide the level of access and transparency that we require to do due diligence. Notwithstanding the absence of formal ratings, we are of course aware of our competitors, and on request we will provide clients (or prospective clients) with the names of those we understand to offer alternative solutions, albeit without any accompanying views on their capabilities.

We are often asked if we will advise our clients to exit our pooled funds. The answer is yes, if advisory services are part of our role, and the fund is no longer appropriate to the client's strategy, or if the fund is inconsistent with the client's investment beliefs. We will not advise a client to exit one of our funds on performance grounds alone. If a fund is performing poorly, we have a structured approach to improving that performance, starting with a thorough review to determine whether any of the underlying managers should be changed, through to changing the portfolio management team or process.

We strive to negotiate value-for-money fees with the external investment managers appointed by our clients. Our aim is to treat all our clients fairly when negotiating fees with those managers, who often have different views on what fee structure they should offer, and how this should vary depending on the size and type of relationships they have with our clients. We want to negotiate the best deal we can in aggregate for our clients but we do not want to create a bias towards any one segment of our clients beyond that which is driven by the manager's views on fee structures.

We have two gifts and hospitality policies as follows:

1) Group-wide Anti-bribery and Corruption Gifts and Hospitality policy (GEHP). The GEHP is focused on both accepting and giving gifts, entertainment and hospitality from both suppliers and third party organisations including investment managers and clients of TWL.

2) MiFID II Inducements policy – This policy is focused on the acceptance or giving of non-monetary benefits from/to non-clients, and includes treatment of investment research as an inducement.

	<p>We have assessed all records of Gifts and Hospitality received over calendar year 2020, in relation to the top five venues with which TWL (comprising both Advisory and Delegated businesses) has transacted over the period. The following sets out the number of Gifts and Hospitality records logged in respect of each venue. All records relate to the receipt of non-monetary benefits of a minor nature.</p> <p>Venue 1: Insight Investment Funds Management Ltd Number of Gifts and Hospitality records: Zero</p> <p>Venue 2: Towers Watson Investment Management Number of Gifts and Hospitality records: Zero</p> <p>Venue 3: Legal & General Investment Management Number of Gifts and Hospitality records: Zero</p> <p>Venue 4: BlackRock Investment Management Ltd Number of Gifts and Hospitality records: Zero</p> <p>Venue 5: AXA Investment Management Ltd Number of Gifts and Hospitality records: Zero</p> <p>Across Willis Towers Watson as a whole, we have a large number of clients in the financial services sector. Inevitably therefore, we find ourselves undertaking research on investment managers where the manager, its parent or an associated pension fund is a client of another part of Willis Towers Watson. Within the Investment LoB, we do not provide any advisory services to investment managers in relation to their investment management business. However, we may provide services to them in relation to their pension fund – either directly to the sponsor or to the pension fund trustees.</p> <p>Common ownerships</p> <p>Of the top five Execution venues reported, on the basis of our group structure we have common ownership with Towers Watson Investment Management (Ireland) (TWIMI) only. The extent of the ownership is, however, somewhat diluted due to characteristics of the Willis Towers Watson Group structure.</p>
<p>Requirement</p>	<p>Describe any specific arrangements that the Firm has with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received</p>
<p>TWL Response</p>	<p>All arrangements that we have with Execution venues are in respect of the improvement of terms and conditions for various products managed by these execution platforms, fee discounts and rebates which our Manager Research team negotiates with asset managers on behalf of our clients. All the fee discounts and rebates in their entirety flow through and benefit our clients and do not benefit the firm in any way. We do not receive or make any payments or non-monetary benefits from asset managers. However our Thinking Ahead Institute, of which some of the top five execution venues may be members, receives subscription fees purely for membership purposes. This arrangement has no direct link to the services provided by our Manager Research team. We have fee discount arrangements in place with four of the top five Execution venues reported. The fee discounts are for some, but not all, of the products managed by each of the four execution venues.</p> <p>TWIM is an entity within the Towers Watson group. Each fund is managed by Towers Watson Investment Management Ireland (TWIMI) and is an open-architecture multi-</p>

	<p>manager solution for our clients. Most of the managers in which TWIMI funds invest will provide fee discounts to TWIM. Where a TWL client invests in TWIM, the benefits of the fee discounts will always flow through in their entirety to the client, via the TWIM platform.</p>
Requirement	Explain the factors that led to a change in the list of the Firm’s execution venues listed in the Firm’s execution policy, if such a change occurred.
TWL Response	<p>TWL Advisory and Delegated Execution venues are shown in section 1.</p> <p>AXA Investment Management Ltd has replaced State Street Global Advisors Ltd in the top five venues with which TWL (comprising both Advisory and Delegated businesses combined) has transacted over the period compared to the report which was made public on 30 April 2020 relating to transactions made in the calendar year 2019. This change has been mainly driven by a small number of large clients moving to the AXA Long Term Credit mandate which is has been specifically designed for UK pension funds that are looking to derisk and generate cash organically.</p>
Requirement	Explain how the order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements
TWL Response	<p>TWL Advisory and Delegated services professional and eligible counterparty clients. There is no difference in the order execution arrangements for each type of client.</p>
Requirement	Explain whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client
TWL Response	<p>This requirement is not applicable to TWL Advisory or Delegated services as neither service has any retail clients.</p>
Requirement	Explain how the Firm has used any data or tools relating to the quality of execution including any data published by execution venues
TWL Response	<p>For all transactions Willis Towers Watson compares the actual transaction costs incurred against the quoted estimate. A comparison of transaction costs is also made against other investment managers’ comparative collective investment scheme spreads.</p>
Requirement	Explain how the Firm has used any output from a consolidated tape provider
TWL Response	<p>This is not applicable to TWL Advisory or Delegated as neither service has signed up to a consolidated tape provider or accessed data from a consolidated tape provider.</p>