



Order Execution Policy

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1. Definition and Background

USS Investment Management Ltd (“USSIM”) is authorised and regulated by the Financial Conduct Authority (“FCA”) as an Occupational Pension Scheme Management Firm “OPS Firm”. Its permissions enable it to advise on investments, arrange deals in investments, deal in investments as agent and make arrangements with a view to transactions in investments and manage investments. As an OPS Firm, USSIM makes the decisions to deal and subsequently either transmits or actually executes these decisions on behalf of its sole client the Universities Superannuation Scheme Limited (“USSL”) as corporate trustee of the Universities Superannuation Scheme (“the Fund” or “the Scheme”), and therefore USSIM is subject to COBS 11.2a (as amended by COBS 18.8a) of the FCA Handbook of rules and guidance (the “**FCA Handbook**”) issued by the Financial Conduct Authority (the “**FCA**”). In accordance with COBS 11.2a, USSIM will, when executing orders (either directly with counterparties or passing orders to third party brokers for execution), take all sufficient steps to obtain the best possible result on behalf of its only client USSL (“**Best Execution**”). This Execution Policy sets out how USSIM will seek to achieve Best Execution.

2. Purpose and Objectives

This Policy is intended to function as guideline for ensuring Best Execution by the investment teams within USSIM. It is not intended to be interpreted or applied in a rigid manner that unnecessarily restricts or limits USSIM’s ability to achieve the best result for USSL in any given situation. Please note that although the procedures set out in this Policy are generally expected to produce the best possible result for USSL, there is no guarantee that circumstances will enable this to be achieved in every single transaction.

3. Applicability & Scope

USSIM’s only client is USSL as noted by its FCA authorisation as an OPS investment manager. This Policy applies only to USSL in respect of Financial Instruments (as such terms are defined for the purposes of MiFID and the FCA Handbook) where USSIM executes orders directly with counterparties and execution venues or transmits orders to third party brokers for execution. Therefore, throughout this Policy, references to execution of orders should be interpreted as executing orders directly with counterparties or passing orders to third party brokers for execution. USSIM will be arranging deals for USSL whether by way of (i) arranging and executing purchases of listed securities, loans, bonds or other instruments in the secondary market or (ii) arranging and executing participations in primary transactions, including new loan or bond financings. Execution of ancillary transactions such as the execution of foreign exchange or other derivative transactions (“**Ancillary Transactions**”) shall also be covered by this Execution Policy. Some of these transactions may not be regarded as “financial instruments” (for example loan agreements). However, in line with USSIM’s commitment to high regulatory standards, it will seek to apply equivalent compliance standards to all transactions as part of its best practices. This Policy is owned by the USSIM Chief Executive Officer (“CEO”), with support from USSIM’s Best Execution and Research Review Committee which is subject to oversight by USSIM’s Board. This policy is presented to USSL under the terms of the IMAA.

4. Policy Statement

This document sets out USSIM's approach to achieving best execution for its sole client (USSL) in accordance with the regulatory requirements to which it is subject. Under FCA rules, USSIM is required to take all sufficient steps to achieve best execution for its client.

5. Roles and Responsibilities

USSIM's Front Office Staff are responsible for:

- ensuring that all orders are executed in accordance with this policy
- reviewing their orders in accordance with this policy
- responding to queries from the second line and the Best Execution and Research Review Committee
- producing management information for the Best Execution and Research Review Committee

USSIM's Compliance team is responsible for:

- providing second line oversight and challenge of best execution
- providing compliance advice and support to the business
- producing management information for the Best Execution and Research Review Committee

The Best Execution and Research Review Committee is responsible for:

- Overseeing and challenging USSIM's Cost and Quality of Execution, including management of execution venues and counterparties
- Overseeing USSIM's External Manager Cost and Quality of Execution
- Overseeing and challenging Research and Inducements, including management of research providers
- Overseeing and challenging USSIM's trading arrangements
- Monitoring and evaluating any material changes to USSIM's trading arrangements

6. Policy Principles

When executing orders on behalf of USSL in relation to a financial instrument, USSIM will take all sufficient steps to achieve the best possible result for USSL. USSIM will exercise its discretion in assessing the factors that it needs to take into account (and their relative importance) to provide USSL with Best Execution. USSIM operates a separate Research Policy and operates a fully unbundled approach to execution payments.

The relative importance of the execution factors will be judged on an order by order basis in line with USSIM's commercial judgement and experience in light of current market information and taking into account:

- the characteristics of USSL;
- the characteristics of the transaction in question;

- the characteristics of the financial instrument(s) in question; and
- the characteristics of the possible Execution Venues to which the order may be directed.

USSIM may take into account the following execution factors when executing or transmitting orders in financial instruments:

- Price
- Market impact
- Costs and tax issues
- Order size
- Likelihood of execution
- Speed of execution
- Settlement
- Location of assets which are the subject of the deal
- Location of professional support
- Any other criteria relevant to the execution of the order

USSIM may prioritise other factors at its discretion. The prioritisation of these factors will vary across asset classes as described in Sections 8 and 9 of this policy and as documented in the respective investment desk procedure. These factors may vary across asset classes and depending on the relevant time, circumstances or context of that order.

7. Direct and Indirect Responsibility for Best Execution

USSIM executes orders both directly and indirectly with execution venues or brokers.

Direct execution includes orders which are traded directly on a trading venue or, in most cases, where trading is carried out following a “request for quote” process. For directly executed orders, USSIM is generally responsible for achieving best execution. This typically includes fixed income and OTC derivative orders.

Indirect execution includes orders which are placed with or transmitted to another party for execution, either on a venue or with another party. For indirect orders, USSIM is responsible for ensuring that those orders are in accordance with the client’s best interests and thus takes all sufficient steps to obtain to the best possible result for USSL. This generally applies to equities and exchange-traded derivatives orders. In such instances, the best execution obligation will fall on the party to whom the orders are transmitted.

8. Asset Class Considerations

USSIM executes orders in a wide range of asset classes for its client, which are summarised below. These are broadly grouped into seven categories which may include several of the financial instrument classes as defined by MiFID II. See Annex B for further details.

USSIM's order execution arrangements are such that each investment desk is required to maintain its own set of documented investment processes. The following arrangements detail the steps taken by each desk to achieve the best possible result for the client in that specific asset class.

a) Bonds

Orders for bonds are generally placed on over-the-counter ("OTC") markets which may be accessed by engaging directly with a counterparty or via an electronic trading platform, such as a multilateral trading facility ("MTF"). The OTC markets, which are characterised by proprietary trading transactions, are decentralised, fragmented and may have low transparency because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis with the counterparties. The choice of counterparties for bonds is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. In volatile non-transparent markets, it may be necessary to accept the first price offered without the opportunity to obtain or request other prices. Moreover, there may be bonds offered exclusively through one counterparty, or for which settlement of an order of a certain size can only be guaranteed by one counterparty, in which cases it is not possible to obtain a comparative offer. For bonds which are more liquid or have more transparency, USSIM may at its discretion and if this in accordance with the client's best interests, request competing quotes from several counterparties before executing at the best terms, taking into account the price and size offered. This is known as a request for quote ("RFQ") process. An RFQ process may take place electronically on an MTF or by engaging directly with counterparties.

The issuance of securities is an important source of liquidity in the fixed income market. The purchase takes place through either a counterparty, market maker or lead manager in the issuing syndicate.

There are often little or no options on the counterparty for new issues. Best execution is achieved by the Portfolio Manager defining the maximum price they are prepared to pay. The counterparty, market maker or lead manager will then confirm the final allocation.

b) Equities

The types of equity instruments in which USSIM invests will generally be traded on recognised markets. As USSIM is not a member of any such markets, USSIM executes these orders indirectly via a broker. Brokers are selected based on a range of both quantitative and qualitative factors, including past performance against benchmarks, the responsiveness of the broker and the brokers level of expertise in their respective markets.

When placing equity orders, USSIM may instruct a broker to execute an order on a discretionary basis or with a maximum volume instruction. Where appropriate, USSIM may instruct an order as a block trade at an agreed price. USSIM will always select the broker which it believes is most likely to achieve best execution, taking into account the execution factors relevant to the order as described in Section 6. USSIM will generally consider price, market impact, order size and likelihood of execution as the most important execution factors.

Where necessary, USSIM may instruct orders in multiple securities as a program trade with a single broker. In such circumstances, prior to the selection of a broker, USSIM will analyse historic broker performance to create a short-list for selection. USSIM will then engage with the brokers on the short-list and select a broker based on pre-determined criteria, including fees and execution strategy.

c) OTC Derivatives

Orders for OTC derivatives are generally executed via trading counterparties. All derivatives must be traded under industry standard legal documentation. USSIM's choice of counterparty for trading OTC derivatives is limited to those counterparties where the required documentation is in place.

When trading directly with a counterparty, the transaction will always be with a counterparty or execution venue. When trading OTC derivatives, the use of a counterparty with whom an ISDA is in place is a requirement; this must be confirmed by the trader in advance of the trade being placed

Where an asset is deemed to be OTC, or bespoke (such as financial instruments which are not admitted to trading on a trading venue) then USSIM will carry out pre-trade analysis to confirm that the price offered is fair in the absence of any other market data.

d) Exchange Traded Derivatives

USSIM does not have direct access to the regulated market, therefore orders in ETD's are placed through a broker for execution. Depending on the nature of the order, USSIM may select an algorithm provided by a broker for execution of that order.

When placing exchange traded derivative orders with brokers, USSIM is considered to be trading indirectly and it is the broker that is responsible for controlling and influencing the order and ensuring best execution. USSIM's role is to ensure that its brokers are able to comply with best execution requirements by regularly reviewing the brokers which it engages with. USSIM conducts extensive trade-level monitoring of its brokers, the output of which is used to aid the broker selection process.

e) Foreign Exchange

FX forwards and swaps are classified as financial instrument under FCA rules whilst spot FX contracts are not.

The use of TCA tools is deemed to be a leading component of the best execution process for FX trading by allowing the costs of trading to be estimated in advance and then a post trade comparison completed. Additional factors such as characteristics of the pair, order size and availability of venues to trade will also be key determinants in achieving best execution.

f) Security Financing Transactions (SFT's)

Securities financing transactions (including Repurchase Agreements) are executed by USSIM bilaterally ("over the counter"). When undertaking such transactions, the choice of venue is limited to those with whom the required legal agreements are in place and by USSIM's counterparty exposure appetite and capacity. In some cases, controlling counterparty concentrations may supersede the pursuit of best price.

Market screening tools (such as Bloomberg) are used to assess generic market pricing. Specific appetite ("axes") and pricing indications are invited from two or more counterparties. Securities financing transactions are executed with the most favourably priced counterparty for our specific requirements.

Under the Securities Financing Transactions Regulation ("SFTR"), USSIM operates a hybrid reporting model. This means that USSIM uses both self-reporting and delegated reporting services offered by counterparties. This ensures that USSIM a broad range of counterparties available when trading SFT's. The ability of a counterparty to report SFT's on USSIM's behalf is therefore not a consideration when selecting a counterparty for SFT's.

g) Private Market Transactions

Private market transactions include assets which are not financial instruments. The execution of orders by USSIM on behalf of USSL may take place in private market type transactions; including private equity, loans and real assets such as property. The execution of such a transaction is generally by way of signing a contract, by USSIM as agent of USSL or its subsidiary, directly to take ownership of, or a percentage of, an asset. The asset will generally be illiquid and/or not regularly traded in any market. For these particular investments, USSIM will take into account the execution factors listed above, as relevant and applicable to this type of transaction. The relative importance of the execution factors will be judged on a transaction by transaction basis, and consideration of these factors will be considered as part of the private markets deal approval process.

9. Execution Factors

Due to the differences between USSIM's strategies and the types of instruments in which USSIM transacts, different execution factors may apply to each strategy and/or instrument.

In addition, the nature of USSIM's business means that Best Execution will not necessarily be entirely dependent upon any one of the traditional execution factors (price, cost, speed, settlement, likelihood of execution, liquidity) nor upon execution venue.

Given the nature of the financial instruments that USSIM deals in, some execution factors may not be applicable to the orders executed by USSIM.

When executing orders, in the absence of any specific instructions, USSIM will give precedence to the factors that allow it to deliver Best Execution in terms of total consideration, representing the price and the costs associated with the execution, which includes all expenses incurred by USSL which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in executing an order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, USSIM may appropriately determine that other execution factors are more important than price in obtaining Best Execution. In order to make any such determination, our front office staff will use their commercial judgement and experience in light of available market information to achieve the best balance across a range of sometimes conflicting factors. This does not necessarily mean achieving the best price for every order, but the best possible result that can reasonably be expected given the resources available to our front office staff. In determining the "price" of a financial instrument, we will take into account a number of considerations including market parameters (i.e., the price at which a financial instrument may be trading on a regulated market or MTF), level of market liquidity and volatility, valuation, and the risks incurred by entering into transactions.

Examples of specific scenarios where price may not be the most important execution factor are:

- Certainty of execution: in some circumstances, USSIM's ability to actually execute the order may be the primary factor to be considered, for example where the instrument is illiquid or rarely traded or the size of the order is very large.
- Costs and tax issues: where charges, taxes or other settlement costs may make the consideration prohibitive, then this may be the most important factor for USSIM to consider.
- Order size: The best price in a market is usually represented by the opportunity to trade in a particular size which may not match the size of the USSL order. Where the order is bigger than the typical quoted size, then the part of the order executed over and above the threshold may only be available at a less favourable price. Similarly, large orders may be available at a more favourable price than smaller orders.
- Speed: In some circumstances, such as when markets are moving quickly, speed may be deemed to be the most important factor for an order.

For private market transactions, best execution factors will vary depending on the type of deal, but typically can include assessing pricing, valuation, modelling and assumptions, market and trade comparables, analysis of peer performance, track record, stress and scenario testing, bid strategy (e.g. if auction based), transaction costs, and key fund / economic terms. PMG's approach to best execution is documented within the relevant investment committee paper (e.g. PMIC).

10. Execution Venues

The FCA defines an “execution venue” as an exchange, a multilateral trading facility, a broker, a market maker, a systematic internaliser or another liquidity provider. In many circumstances, the execution venue will be the counterparty to the trade. USSIM maintains a list of approved execution venues and counterparties which is included in Annex A. USSIM expects to use a selection of Execution Venues. Sometimes there is only one appropriate venue, and, in such cases, USSIM will only use a single venue. Having assessed the relevant execution factors and relative importance of the execution factors specific to that order to achieve consistently the best overall result as well as any specific instructions, USSIM will select the most appropriate Execution Venue(s) from those available (when there is a choice) and execute the order accordingly.

USSIM may execute otherwise than on a Regulated Market or MTF where bringing together the parties of a transaction in relation to a financial instrument which is not traded on a traditional execution venue, for example when arranging or participating in a primary lending transaction.

The factors affecting choice of Execution Venue are price, the need for timely execution, market liquidity, the size and nature of the order and counterparty risk. Our choice of execution venue may be constrained by the fact that there may be no choice of venue where an order can be executed due to the nature of the order or requirements by USSL or due to the nature of the particular instrument (e.g. an illiquid loan is likely to have no choice of venue) and the fact of execution may itself constitute Best Execution.

USSIM does not receive any form of remuneration, discount or non-monetary benefit for directing orders to a particular execution venue or broker for execution.

In the context of selecting execution venues, price refers to whether an execution venue generally offers prices that are as good as, or better than, its competitors. Price is therefore a relevant factor in selecting execution venues to execute orders.

11. Counterparty risk

While trades of bonds generally settle quickly, primary or secondary settlements may be more extended. In order to manage counterparty risk in respect of Execution Venues, USSIM monitors and manages extended settlements by, ensuring that they are affirmed or confirmed electronically with the counterparty. Where settlements are made on a Delivery Versus Payment (DVP) basis, counterparty risk reduced to a trade replacement risk. Failed trades are monitored daily and escalated through to the investment teams if required. Where a trade cannot be settled on a DVP basis, USSIM is exposed to credit risk of the issuer. USSIM will assess this risk as an execution factor at the time of execution.

For transactions settlements which are made on a Delivery Versus Payment (DVP) basis, counterparty risk is limited in both tenure: typically, less than a week; and magnitude: typically, the replacement cost of the trade.

For non-DVP bilateral transactions of a longer tenure (including forward foreign exchange and repurchase agreements), USSIM enters into contracts that may give rise to counterparty exposure under industry standard agreements (ISDAs & CSAs). When assessing which counterparties to request competitive pricing from, USSIM includes consideration of the following:

- credit quality of the counterparties,
- credit default swap spreads of counterparties,
- the outstanding risk with the counterparties (adjusted for the volatility of the exposure),
- the tenure of existing contracts with the counterparties,
- the current unrealised profit and loss with the counterparties, and
- diversification of future roll risk.

12. Specific Client Instructions

As an investment manager/adviser of funds, managed accounts and CLO vehicles, USSL is unlikely to provide specific instructions. In the event that USSL does provide USSIM with specific instructions to deal on their behalf, it will execute the orders in accordance with those specific instructions and will have complied with its obligation to obtain the best possible result when executing that order by following those instructions. Where the instructions relate to only part of an order, USSIM will continue to apply its Execution Policy to those aspects of the order not covered by such specific instructions. USSL should be aware that providing specific instructions to USSIM in relation to the execution of a particular order may prevent it from following this Execution Policy which is designed to obtain Best Execution for USSIM's clients on a consistent basis taking into account the factors outlined above.

Subject to any specific instructions that USSL may give to USSIM (see the section above, this is unlikely to occur), USSIM may transmit an order to another entity which is affiliated with or related to USSIM or to an external entity for execution. In doing so, USSIM will act in the best interests of USSL and consider the provisions of this Execution Policy.

13. Monitoring and Review

USSIM regularly monitors the effectiveness of this Execution Policy and its execution arrangements to identify, and where appropriate, correct any deficiencies.

For directly executed orders (such as Bonds, OTC Derivatives and Foreign Exchange), USSIM's investment desks are responsible for achieving and monitoring best execution.

For indirectly executed orders (such as Equities and Exchange-Traded Derivatives), USSIM's investment desks are responsible for monitoring whether best execution has been achieved by the brokers.

In both instances, this is achieved by the investment desks actively reviewing their own orders using a range of tools at their disposal. This includes real-time pricing available in Bloomberg as well as specialist tools such as transaction cost analysis.

USSIM's Compliance team is responsible for second line monitoring of best execution. This involves using a combination of exception and sample-based monitoring and challenging the investment desks when required.

USSIM's Best Execution and Research Review Committee is responsible for overseeing best execution at USSIM. The Committee is chaired by USSIM's Head of Execution Oversight and consists of members from each investment desk, Operations and Compliance. The Committee meets on a regular basis and reviews a range of management information to ensure compliance with the best execution requirements. The Committee also assesses whether USSIM's best execution arrangements continue to allow USSIM to achieve the best possible result for the client on a consistent basis or assesses whether any changes are required.

USSIM will review this Execution Policy at least annually or whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for USSL on a consistent basis using the methods described in this Execution Policy. Any material change that affects USSIM's ability to obtain the best possible result will be communicated to the client. This order execution policy will be provided to USSL as per the terms of the IMAA

14. Consent

Under MiFID and the FCA Handbook, USSIM requires the prior consent of USSL to this Execution Policy and prior express consent to allow it to execute orders outside a Regulated Market or Multilateral Trading Facility. USSIM ordinarily obtains this consent in its management or advisory agreements with USSL.

Annex A – Approved Counterparties and Execution Venues

The following counterparties and execution venues are those upon which USSIM places significant reliance in order to achieve best execution for the client.

Counterparties and Execution Venues	Generally Indirect Execution		Generally Direct Execution			
	Equities	ETD	Bonds	OTC	FX	Repo/SFT
Amherst			✓			
Axis Capital	✓					
Bank of America Merrill Lynch	✓		✓	✓	✓	✓
Barclays PLC	✓	✓	✓	✓	✓	✓
Bloomberg			✓		✓	
BNP Paribas		✓	✓	✓	✓	✓
Bradesco	✓					
BTG Pactual	✓					
Cambridge International Securities			✓			
CF Global Trading	✓					
CICC	✓					
Citi	✓	✓	✓	✓	✓	
CLSA	✓					
Credit Suisse	✓	✓	✓	✓	✓	
Daiwa Securities	✓					
Deutsche Bank	✓	✓	✓	✓	✓	
Goldman Sachs	✓		✓	✓	✓	✓
HSBC	✓	✓	✓	✓	✓	✓
Imperial Capital			✓			
Investec	✓					
Itaú BBA	✓					
J.P. Morgan	✓	✓	✓	✓	✓	
Jefferies	✓		✓			
Jones Trading	✓					
Kotak Securities	✓					
Lloyds Bank PLC			✓	✓	✓	✓
Macquarie	✓			✓		
Mitsubishi (MUFG)			✓			
Mizuho Securities	✓		✓			
Morgan Stanley	✓	✓	✓	✓	✓	
Motilal Oswal Trading	✓					
NatWest Markets			✓	✓	✓	✓
Nomura / Instinet	✓		✓	✓	✓	
RBC	✓	✓	✓	✓		✓
Samsung Securities	✓					

Counterparties and Execution Venues	Equities	ETD	Bonds	OTC	FX	Repo/SFT
Santander	✓		✓			
Sberbank CIB	✓					
Seaport Global			✓			
SMBC Nikko CM	✓					
Societe Generale		✓	✓	✓	✓	
Stifel Nicolaus	✓		✓			
UBS	✓	✓	✓	✓	✓	
Wells Fargo			✓			

Annex B – Classes of financial instruments

(a) Equities — Shares & Depositary Receipts	(i) Tick size liquidity bands 5 and 6 (from 2 000 trades per day)
	(ii) Tick size liquidity bands 3 and 4 (from 80 to 1 999 trades per day)
	(iii) Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)
(b) Debt instruments	(i) Bonds
	(ii) Money markets instruments
(c) Interest rates derivatives	(i) Futures and options admitted to trading on a trading venue
	(ii) Swaps, forwards, and other interest rates derivatives
(d) credit derivatives	(i) Futures and options admitted to trading on a trading venue
	(ii) Other credit derivatives
(e) currency derivatives	(i) Futures and options admitted to trading on a trading venue
	(ii) Swaps, forwards, and other currency derivatives
(f) Structured finance instruments	
(g) Equity Derivatives	(i) Options and Futures admitted to trading on a trading venue
	(ii) Swaps and other equity derivatives
(h) Securitized Derivatives	(i) Warrants and Certificate Derivatives
	(ii) Other securitized derivatives
(i) Commodities derivatives and emission allowances Derivatives	(i) Options and Futures admitted to trading on a trading venue
	(ii) Other commodities derivatives and emission allowances derivatives
(j) Contracts for difference	
(k) Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)	
(l) Emission allowances	
(m) Other instruments	