



## Morningstar Investment Management Europe Limited

### 1. Title

Order Handling and Execution Policy (The Policy).

### 2. Summary and Scope

The Policy sets out the arrangements established for managing the order handling and execution obligations related to the activities of Morningstar Investment Management Europe Ltd (MIME / the Firm).

This Policy is applicable to all of MIME including all office locations, business units and individuals whom are defined as:

Employees

- Full- time employee;
- Part-time employee;
- Employees of other entities within the Group who are fulfilling a role for MIME on a permanent or temporary basis; and
- Fixed- term contracts.

Workers

- Contractors;
- Agency staff; and
- Interns and work experience.

For the purposes of this Policy “employee” includes those defined above as “workers”.

Employees are reminded of their obligation to comply with the associated requirements of the Morningstar Group Code of Ethics. However, should the Policy requirements exceed the obligations documented in the Morningstar Group Code of Ethics, then the Policy requirements take precedence.

### 3. Purpose

The Policy sets the parameters for the Firm as it pertains to the applied order handling and execution arrangements. The Policy subsequently outlines the critical arrangements and processes that must be established and adhered to, in order to ensure:

- The Firm takes all reasonable steps to obtain the best possible result for its clients by considering the execution factors of price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration, relevant to the execution of an order.

Order handling and execution policy requirements apply when MIME is administering processes to facilitate the execution of orders, as they pertain to the management of investments. This Policy applies to all financial instruments for which MIME carries out orders on behalf of its clients.

Where specific client instructions are permitted and have been received, as it pertains to order handling, the policy requirements will not apply. This is to the extent MIME follows the instructions from the client when executing client orders or placing an order with, or transmitting an order to, another entity for execution.

MIME transmits all non-client directed orders (rather than executing them internally) to external brokers for execution on an agency basis and places reliance on the brokers to ensure MIME clients receive best execution on a consistent basis. MIME monitors and has oversight of the execution quality delivered by the brokers.

MIME is responsible for overseeing any appointed external brokers, assisting with the obligations to obtain the best possible outcome for clients. MIME must ensure that orders placed with an external broker are facilitated in accordance with the applicable requirements of this policy.

This Policy is established in accordance with applicable legislative and regulatory requirements and defines the internal measures which are established by the Firm to facilitate compliance with these requirements.

#### **4. Legislative and Regulatory Requirements**

The Policy requirements are established to address the applicable legal and regulatory obligations. The applicable sections of the Financial Conduct Authority (FCA) Handbook and the associated legislation/regulation/directive from which the rules are derived, apply in accordance with this Policy, in addition to any further legal instruments of relevance.

MIME is classified as an Investment Firm, under the applicable regulations and is subject to the relevant obligations, as defined by the associated requirements. MIME transmits orders for execution to third parties who are also classified as Investment Firms, under the applicable regulations. MIME does not execute client orders directly.

In accordance with the applicable obligations, MIME is required to establish and implement an order handling and execution policy, pursuant to the duty to take all sufficient steps to obtain the best possible result for clients, when providing associated services.

The best execution obligation does not demand a firm achieve the best possible result with every trade, but rather that the firm has a best execution and client order handling policy enabling compliance with the obligation to take all sufficient steps to obtain the best possible result for its clients. MIME's clients are categorised as Professional Clients. Pursuant to FCA requirements, best execution obligations are owed to Professional Clients.

MIME is required to provide their clients with this Policy at the start of a client relationship and make the most recent version of the policy, always available.

Given that MIME is only transmitting orders, there is no requirement for MIME to obtain consent from clients as it relates to the policy.

#### **5. Systems and Controls**

This section comprises the fundamental arrangements established and how those arrangements are applied to both facilitate compliance with the applicable legislative and regulatory requirements and to also mitigate associated risks.

### *5.1 Client Directed Orders*

Where MIME follows specific instructions from a client and placing an order with another entity for execution, MIME will comply with the client best interests' rule.

The best interests' requirement is determined by the overriding obligation that a firm must not induce a client to instruct order execution in a particular way. As a result, where specific instructions are received, MIME may not be able to apply policy requirements in their entirety and consequently, might not achieve the best possible result.

### *5.2 Execution requirements by investment type*

#### *5.2.1 Managed Portfolio Service (MPS)*

For the MPS business, the Firm builds model portfolios and carries out rebalancing exercises, in line with its asset allocation procedures. Clients (regulated financial advisors) select the model portfolio which best fits their investors' goals and risk tolerance, as well as the Platform through which the portfolio is accessed.

For MPS, MIME operates under the 'agent as client' model. Operating the MPS offering, under the agent as client arrangement, results in MIME having no visibility of the end investor. Therefore, as it pertains to the related activities of the associated platform providers, MIME will not ascertain details of the related trading activity undertaken by the platform, or the execution venues utilised for these purposes.

MIME is responsible for transmitting orders for execution to the platform on which the underlying client's investments are placed. Consequently, MIME's best execution obligations are predominantly focused on the timely transmission of orders to the platforms.

Pursuant to the determination and issuing of a rebalancing instruction and unless specified otherwise, MIME must facilitate related orders without delay to ensure timely transmission. The entity responsible for executing the instruction, (transmitted by MIME) is the platform itself.

MIME and any related parties (intermediary clients, the related platforms, custodians etc.), have a duty to be aware of the associated best execution obligations owed by each of the process participants.

#### *5.2.2 Collective Investment Schemes (CISs)/ UCITS*

Generally, there is no secondary market for CIS. Therefore, MIME can only secure subscriptions or redemptions through direct applications to the administrator of the scheme. Consequently, MIME must deal directly with the appointed administrator, when transmitting the necessary instruction.

The price achieved pertains to the daily NAV of the scheme concerned and so there is no alternative venue able to secure price improvement. Therefore, timely execution and certainty of execution (the ability to execute the order) is the most important factors and must be the fundamental consideration when facilitating the associated processes.

#### *5.2.3 Exchange Traded Funds (ETFs)*

The Firm uses appointed brokers to facilitate transactions in ETFs. Price (including costs) is deemed the key factor to determining transmission of instructions relating to ETFs.

MIME is required to use an agency broker to execute the firm's orders. Use of an agency broker should enable MIME to obtain the best possible result for the client. The agency broker will be able to seek bids and offers from a range of available market makers and other liquidity providers. The agency broker will then deal with whichever entity provides the best outcome for clients.

### *5.3 Brokers (\*specific broker details noted are correct at the date of policy approval)*

For ETFs, MIME has appointed Winterflood Business Services as its primary broker. By utilising Winterflood Business Services (instead of the MIME dealing directly with venues), MIME has wider access to a range of market makers and liquidity providers who will each bid to fill MIME's order. This enables MIME to obtain best execution, for clients, on a consistent basis.

MIME identified Mariana Capital, as a second broker to transmit instructions, in the event that the primary appointed broker is unable to fulfil the Firm's orders. If MIME ascertains that the primary, or secondary appointed broker, lacks capacity to execute any order passed to it by the firm, MIME must immediately commence due diligence to identify and appoint a successor primary, or secondary, broker.

Arrangements must be established whereby the appointed brokers provide appropriate reporting to enable effective oversight, by MIME, of the associated execution processes.

### *5.4 Reporting – Annual Publication*

Annually, MIME must make public the top five execution venues or investment firms utilised for the preceding 12 months. This reporting pertains to trading volumes, where MIME transmitted, or placed, client orders for execution in the preceding year, in accordance with the technical standards for each financial instrument traded.

### *5.5 Order Allocation and Aggregation*

As part of the Firm's commitment to treating customers fairly, MIME reserves the right to aggregate customers' orders and will do so if it is reasonably believed that a no less favourable price will be obtained, than if the order had been executed separately.

In all cases, MIME must treat each client account in a fair and equitable manner when aggregating and allocating orders. Consequently, the following requirements apply:

- When purchase orders exceed available supply, allocations will be made on a pro rata basis generally based on each portfolio's net assets. This also includes initial public offerings and secondary offerings;
- When sell orders exceed available demand in the marketplace, the allocations will be made on a pro rata basis, generally based on the relative size of the security position held by each fund or account; and
- When orders are only partially executed, allocations will be made on a pro rata basis.

## **6. Roles and Responsibilities**

The applied roles of the responsible parties are defined below:

### *6.1 MIME Board of Directors*

As the Governing Body of the Firm, the Board has the following responsibilities in respect of the Policy:

- The Board acts as the governing body for the Firm and has overall responsibility for Firm compliance and management of Best Execution and Client Order Handling; and
- Review and approval of associated policies, controls and procedures established to ensure ongoing compliance.

### *6.2 Compliance*

Compliance is responsible for:

- Policy setting and ensuring relevant employees are aware of their obligations in relation this policy;
- Appropriate oversight and escalation of best execution related matters to senior executive management;
- Carrying out a periodic review of a random sample of transactions to ascertain whether the best possible result was obtained in respect of those transactions;
- Recommending changes to this policy, depending upon the outcome of monitoring process and related regulatory developments; and
- Coordinating any associated training.

### *6.3 Employees*

All employees are responsible for:

- A rudimentary understanding of best execution and client order handling obligations, as they pertain to MIME activity;
- Compliance with this policy and escalating any issues that may arise to Compliance; and
- Attending and completing any associated training.

Employees involved in transmission of orders have responsibility for:

- Overseeing and adhering to best execution requirements;
- Monitoring, on a transaction by transaction basis, the timely passing of orders to deal to with the primary (or secondary) appointed broker and the quality of execution obtained; and
- Escalating immediately to Compliance any suspected violations of the best execution and order handling policy requirements.

## **7 Record Keeping**

Unless specifically defined, all associated records shall be maintained in accordance with the MIME Record Keeping Policy.

## **8 Communication and Training**

Once the Policy has received the required approval, either initial issue or subsequent reviews (see section 10), Compliance will communicate the policy to all employees. The supporting communication will include a summary detailing background to the Policy, the key requirements and the employee obligations.

Applicable training requirements will be determined by the Chief Compliance Officer and managed via the EMEA Regulatory Training and Awareness Program.

## **9 Policy Violation**

Any identified Policy violations will be recorded accordingly on the MIME breaches/incidents register and subject to investigation and appropriate resolution.

MIME employees facilitating the violation will likely be subject to educational action and subject to the severity of the violation, potential further investigation and where necessary, disciplinary action up to and including termination of employment.

## **10 Approval and Review**

The MIME Board is responsible for approving Policies and any subsequent amendments made. The Policy must be reviewed at least annually or as required, if there are any material changes to the law that impact the Policy requirements.

### *Version Control*

<b>Version</b>	<b>Date Submitted</b>	<b>Date Approved</b>	<b>Comments</b>
2020 1.0	9 December 2020	Policy was not formally approved and remained in draft form, further to comments received from MIME Board.	Compliance to review comments received and incorporate accordingly.
2022 2.0	4 April 2022	29 June 2022	Issued to MIME employees 17 August 2022