

Best Execution Policy

Shaw's Best Execution Policy is designed to ensure that your orders receive best execution in accordance with the instructions you give to your adviser. At Shaw, we are committed to best execution across our entire organisation.

Background to best execution

Historically, there has been only one market in Australia for the buying and selling of ASX listed securities. Over time, the trading landscape in Australia has been subject to a number of changes including the introduction of new execution venues by ASX as well as the addition of a new market for trading ASX listed securities, in Chi-X Australia Pty Limited ('Chi-X').

In a multi-market environment, rules are needed to ensure that clients' orders are dealt with fairly and in clients' best interests. Best execution arrangements are designed to achieve this by requiring that market participants, such as Shaw, obtain the best outcome for their clients.

Formal policy

In accordance with Part 3.8 of the ASIC Market Integrity Rules (Securities Markets) 2017 (the 'Rules'), Shaw and Partners Limited ('Shaw') must take reasonable steps when handling and executing orders in shares, managed investment schemes including exchange-traded funds, rights to acquire shares or interests in managed investment schemes under a rights issue and CHESS Depository Interests ('CDIs') ('Equity Market Products') to obtain the best outcome for our clients. To achieve this, Shaw has implemented the policies and procedures set out in this document in order to give clients best execution when receiving, transmitting and executing orders ('Best Execution Policy').

You should review this Best Execution Policy thoroughly prior to giving any order to Shaw. Not only will it provide you with important information about how your order will be dealt with, but it sets out the circumstances in which you may give special instructions to Shaw in relation to your order. This means you will be able to make informed decisions regarding your choice to deal with Shaw and the manner of those dealings.

What products does the Policy apply to?

The Best Execution Policy relates to orders given by you to Shaw in respect of Equity Market Products. In the event that a company is dual listed in Australia and on an overseas exchange then the Best Execution Policy will only apply to your trades in Equity Market Products on Australian markets.

What execution venues are used by Shaw when executing your orders?

Shaw executes orders on the ASX TradeMatch, ASX CentrePoint and Chi-X Australia venues (the 'Execution Venues'). Currently, Shaw does not use the ASX PureMatch order book due to low liquidity. By way of background, the ASX PureMatch market is a low latency market set up for high frequency traders.

Certain orders are exempted from the requirement that they be executed within the order book of an Execution Venue. These include block trades, large portfolio trades, trades within the spread, a permitted trade during the pre or post-trading hours period and out of hours trades. The Rules set out a definition of each of these types of trades. Shaw does not operate a third party crossing system or an internal automated crossing system. Notwithstanding, Shaw will conduct manual crossings on behalf of Retail and Wholesale Clients in accordance with the Rules.

Execution for retail, versus wholesale, clients

The factors which Shaw will consider in determining what constitutes Best Execution will differ depending on what type of client you are. If you are a professional investor such as an institutional client, or a sophisticated investor ('Wholesale Client') your needs may be different than if you are a retail client ('Retail Client'). Therefore, the type of execution you will receive from Shaw will vary depending on these needs.

Best Execution for Retail Clients

As noted above, Shaw's commitment to achieving best execution means that we will take reasonable steps to obtain the best outcome for you ('Best Outcome'). Most of the time, Best Outcome will simply mean getting the best total consideration for your order ('Best Consideration'). For a 'buy' order this will mean paying as little as possible and for a 'sell' order it will mean receiving as much as possible. As the choice of venue or method of execution will not have any impact on the amount of brokerage payable by you it is not a consideration in determining Best Outcome. The execution costs associated with various venues constitute a minute fragment of the overall cost of execution and the differences between Execution Venues are not significant.

Unless you specifically advise us otherwise at the time of placing your order, we will be entitled to assume that you wish to receive Best Consideration for that order. Shaw will not accept standing instructions in relation to Best Execution from Retail Clients.

Best Execution for Wholesale Clients

For the vast majority of Wholesale Clients, the Best Outcome will be to obtain the Best Consideration. Some Wholesale Clients will have different needs and for those clients Shaw may consider other factors, such as

- Price;
- Volume;
- Speed of execution;
- Likelihood of execution;
- The requirement for timely execution;
- The liquidity of the market;
- Potential price impact from execution;
- Your specific instructions; and
- Any other factors that may be relevant to achieving best outcome.

Some Wholesale Clients have a preference as to the use or otherwise of a particular exchange and Shaw will comply with those instructions when placing an order. Wholesale Clients may provide standing instructions in relation to the execution of their orders.

How is your order handled by Shaw?

Most orders are placed with Shaw by telephone. Shaw also accepts orders given by other means, subject to Shaw confirming receipt of the order or its entry into the Execution Venue. Once your adviser has your order, it will, depending on its size relative to the liquidity of the market and any specific instructions you may have, such as discretion as to price and timing, be sent to a Shaw Designated Trading Representative ('DTR'). After reviewing your order, the DTR will submit it into a smart order router which, via a method known as automated order processing, will place your order into one or more of the Execution Venues. In certain circumstances, the DTR may bypass the router and enter your order directly into a specific Execution Venue.

Shaw uses a smart order router supplied by an external software vendor, IRESS, called the Best Market Router ('BMR'). IRESS is the industry standard order entry system for stockbrokers in Australia.

Once the order has exhausted the volume available within the price parameters given by you, the balance of the order ('Passive Order') will reside on Shaw's default market, being ASX TradeMatch, subject to specific instructions from you. If the price in another Execution Venue, other than the venue on which your Passive Order is resting, changes, your order will not be withdrawn and placed on the other Execution Venue, as to do so would mean a loss of priority for your order and would increase the likelihood of high frequency traders exploiting the BMR.

In instances where one or the other market is unavailable for trading, or where one market is either unresponsive or disorderly, orders will be routed to the available market or the default market at the determination of the DTR. In such instances, which should be extremely rare, you agree that your specific instructions may be disregarded.

Not all Execution Venues work in the same way. For instance, currently, Chi-X commences trading at 10:00am and closes at 4:12pm (Eastern Standard Time). Unlike the ASX, Chi-X does not operate an auction on the open, close or intra-day trading halts. Such inconsistencies mean that it may be very difficult to determine where the best outcome might be achieved. Where an Execution Venue is not available, the liquidity will tend to migrate to other Execution Venues and therefore Shaw will not delay an order on the basis that certain Execution Venues are not available.

Further, Chi-X orders are 'day only' orders, meaning that all Passive Orders are automatically purged at the end of each trading day. Where you have given specific instructions that your order should rest on Chi-X, you will need to provide further instructions if you wish for your order to be moved to the ASX or reinstated on Chi-X on the following day.

Specific Client Instructions

As noted above, you may in certain circumstances provide specific instructions in relation to your order which Shaw will use its reasonable endeavours to comply with. These instructions may prevent you from obtaining Best Consideration. They may also, depending on the instructions, prevent Shaw from providing you with the Best Outcome. You may provide any specific instructions verbally or in writing and any verbal instructions will be recorded on the order by your adviser and retained for seven years.

Wholesale Clients can give standing instructions on execution requirements, including an instruction to opt out of the Best Execution Policy. Any such standing instruction will be valid for a period of 12 months.

It is important to note that, irrespective of your instructions, Shaw will have an overriding responsibility to ensure the maintenance of a fair and orderly market. Therefore, there will be occasions where we will not be legally required to, and will not, follow your instructions.

Policy Monitoring and Review

On receipt of a reasonable request, Shaw will provide you with information to demonstrate that orders have been executed in accordance with this Policy. You should allow a reasonable timeframe for the provision of that information.

Shaw will monitor the effectiveness of its Best Execution Policy on a regular basis and review it annually as well as whenever there is a material change that affects the transmission of orders to ensure it remains adequate. Any material changes to this Policy will be available to you via our website, which can be found at: <http://www.shawandpartners.com.au>. This Policy is current as at 23 January 2019.