

Version Control	
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Policy Owner	Head of Research
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## 1. General

- 1.1 This Research Policy (“**Policy**”) has been adopted by Shaw and Partners Limited (“**Shaw**”) to ensure compliance with the Corporations Act 2001 and applicable ASIC guidance, including:
- ASIC Regulatory Guide 79 Research report providers: Improving the quality of investment research;
  - ASIC Regulatory Guide 181 Licensing: Managing Conflicts of Interest; and
  - ASIC Regulatory Guide 264 Sell-side Research.
- 1.2 The guiding principle for the publication of any research is that information is objective, clear, fair and not misleading.

## 2. What constitutes Shaw Research?

- 2.1 Shaw Research for the purposes of this Policy may consist of:
- Company Reports;
  - Sector Reports;
  - Morning Comments (or other daily publications);
  - Other reports issued under the banner of Shaw Research (such publications will be clearly identified and branded as ‘Shaw Research’).
- 2.2 Typically, Shaw Research contains an analysis of factors which Shaw considers is likely to influence the future performance of a company and its financial products, a sector or the market as a whole. Shaw Research may provide an advice or recommendation based on that analysis.
- 2.3 In addition Shaw may publish research or market commentary generated by EFG International (“**EFGI**”). The provision of EFGI research and market commentary is appended with links to the Shaw Financial Services Guide, contact details and standard disclosures/disclaimers.

### 3. What does not constitute Shaw Research?

3.1 The following do not constitute Shaw Research for the purpose of this Policy:

- Emails from Shaw advisers to a client or group of clients in which they express a view regarding a stock, sector or the market in general;
- Information sheets or investor education reports (which do not contain a price target or recommendation) published by Research or Corporate (for instance, in relation to an upcoming IPO); and
- Reports by Shaw Research which are prepared for individual clients and not for general distribution.

### 4. The contents of Shaw Research and Advice

4.1 Shaw Research constitutes general financial product advice only. As noted in Shaw's standard research disclaimer:

*"This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs ("Personal Circumstances"). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your Personal Circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client adviser.."*

4.2 While Shaw aims to prepare research using a relatively consistent methodology, by virtue of differences between companies, scale, industries, jurisdictions and many other factors, this will not always be possible. In providing valuations and price targets, and therefore recommendations, Shaw will seek to explain its reasoning in as clear a manner as possible in the circumstances.

4.3 In preparing Shaw Research, Shaw is reliant on information provided by the subject company, whether by way of annual reports, meetings with company management or company announcements made under the continuous disclosure regime. For this reason, Shaw's standard research disclaimer contains the following statement:

*"This report is published by Shaw and Partners in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. Although the report is based on information obtained from sources believed to be reliable, Shaw and Partners does not make any representation or warranty that it is accurate, complete or up to date and Shaw and Partners accepts no obligation to correct or update the information or opinions in it"*

4.4 In providing price targets and other forward-looking statements, Shaw is making assumptions about future events, many of which are based on informed speculation, representations from the subject company or on the continuation of past trends (including past performance of the company). Ultimately, however, the future is unknowable, and therefore Shaw's standard research disclaimer contains the following statement:

*"If you rely on this report, you do so at your own risk. Any projections are estimates only and may not be realised in the future. Past performance is not a reliable indicator of future performance. Except to the extent that liability under any law cannot be excluded, Shaw and Partners disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in, or in relation to, this report notwithstanding any error or omission including negligence"*

- 4.5 The above disclaimers appear on both printed and electronic Shaw Research and on the slideshows prepared for presentations given by Shaw Research analysts.

## 5. Who prepares Shaw Research?

- 5.1 Shaw Research is produced and published by employees of Shaw ('**Research Analyst/s**'). Generally, Shaw Research is prepared in-house, however if any Shaw Research is prepared by an independent contractor or a related body corporate, it is reviewed by Shaw Research before being published to ensure that it is in conformity with the terms of this Policy. Any independent contractor preparing Shaw Research must agree to comply with the terms of this Policy.
- 5.2 Shaw Research does not include documents prepared by Shaw financial advisers, including where those documents are attached to, incorporate or accompany Shaw Research. The research report contains the name of the Research Analyst who prepared the research report.
- 5.3 On occasion Shaw may distribute research of external research report providers, refer to Annexure A – External Research Policy and Procedure for further information.

## 6. Research Analysts

- 6.1 Shaw ensures all Research Analysts are suitably qualified, i.e. tertiary or higher level qualifications and/or suitable relevant industry experience.
- 6.2 Research Analysts must observe high standards of integrity and ethical behaviour. The contents of Shaw Research must reflect the honest and independent belief of the Research Analyst, presented in a manner which is fair, clear and not misleading. Analysts are required to ensure that they have a reasonable basis for their analysis and recommendations.
- 6.3 Where a party attempts to unduly influence a Research Analyst in respect of the preparation of Shaw Research such that their independence or professional judgement has been compromised, Research Analysts are required to report this to the Joint Managing Directors and/or Compliance immediately.
- 6.4 This Policy and other Shaw policies are designed to prevent the exercise of any undue influence by:
- Providing guidance and training to Research Analysts and other staff on the identification of possible conflicts of interest and how to maintain independence;
  - Ensuring that identified issues are promptly referred to, and considered at, the appropriate level within Shaw;
  - Providing appropriate workplace harassment policies and ensuring clear escalation paths with respect to any complaints;
  - Empowering the Head of Research with sufficient seniority and independence;
  - Ensuring quarterly and ongoing monitoring by Shaw Compliance of any potential conflicts and the exercise of undue influence.
- 6.5 In order to reflect the principles above, all Shaw Research contains an Analyst Certification to the following effect:
- "The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products"*
- 6.6 It is a vital aspect of this Policy that Shaw take reasonable steps to ensure the independence of Research Analysts by removing any inducements which may impact on their independence. In this regard, it is Shaw Policy that:

- Research Analysts may not accept remuneration from the company the subject of a report for the publication of research;
- Research Analysts are not permitted to offer or accept any inducement for the production of favourable research;
- Research Analysts may not directly or indirectly offer favourable research, specific ratings or specific price targets as consideration or inducement for the receipt of business or compensation;
- Research Analysts may not directly or indirectly offer or threaten to change research, a rating or price target as consideration or inducement for the receipt of business or compensation;
- Research Analysts may not discuss unpublished or draft research reports with any party other than the company the subject of the report (for the limited purpose of checking factual information) and the relevant supervisory analyst. In instances where the research is provided to the subject company, the report must be marked draft and must not contain any price target or rating;
- Research Analysts are encouraged to interact with advisers and have free access to Shaw's trading floor in order to maintain an active dialogue with advisory staff. Notwithstanding, Research Analysts may not discuss unpublished Shaw Research.

## **7. How does Shaw remunerate its Research Analysts?**

- 7.1 Shaw Research Analysts do not receive direct or indirect compensation which is tied to the giving of a specific recommendation or view. In order to reflect this principle and inform clients, all Shaw Research contains an Analyst Certification to the following effect:

*"The Research Analyst has not been, is not, and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report"*

- 7.2 The majority of Research Analyst remuneration consists of base salary with remainder consisting of a discretionary bonus. Factors which may be relevant in determining remuneration and bonuses include:

- The Research Analyst's performance, productivity and compliance;
- The quality of the Research Analyst's research;
- Evaluations from clients, both internal and external;
- Performance as a Supervisory Analyst; and
- Overall business profitability.

- 7.3 Remuneration is determined by Shaw's Joint Managing Directors. Advisory, Corporate Finance and Institutional Sales staff do not determine Research Analyst remuneration.

## **8. Conflicts of interest**

- 8.1 Research Analysts are restricted from roles that could prejudice, or appear to prejudice, the independence of their research or conflict with their duties to the recipients of their research, but are otherwise free to use their expertise for the benefit of Shaw clients, subject to the restrictions outlined below.

### ***Interests in the financial products of a company the subject of research***

- 8.2 In research reports analysts are required to disclose any relevant interests, which may include soft dollar benefits or direct interests in the financial products of the company which is the subject of coverage. The following statements will be included in the research report to clarify any direct holdings of the Research Analyst:

*“As at the date of this report the Research Analyst holds, either directly or through a controlled entity, securities in the Company that is the subject of this report”*

Or – where the reverse is the case:

*“As at the date of this report the Research Analyst does not hold, either directly or through a controlled entity, securities in the Company that is the subject of this report”*

- 8.3 In addition, Shaw Research which updates, mentions or summarises other report information must contain a reference to the report in the analyst statement.
- 8.4 Shaw does not permit analysts to have an interest in financial products that are the subject of their research or that are likely to become the subject of their research, unless such financial products appear in the S&P/ASX100.
- 8.5 Further, Shaw requires that any analyst who purchases financial products must hold those products for a period of at least 30 days prior to selling.

#### **Trading in financial products the subject of research**

- 8.6 Shaw permits Research Analysts to trade in the companies which they do not cover, however they may not do so:
- Where such a trade would be in breach of any legislation or rules, for example trading whilst in possession of inside information;
  - Where they are in the process of preparing Shaw Research relevant to the company;
  - Until 48 hours have passed since the release of Shaw Research relevant to the company.

#### **Analysts assisting Corporate Finance**

- 8.7 Research Analysts may be required to perform other duties at Shaw, including assisting Shaw Corporate Finance with analysis of current and potential corporate clients. This may involve Research Analysts:
- Reviewing individual companies, sectors or other relevant information, provided they do not disclose the timing or content of forthcoming research reports;
  - Undertaking or vetting due diligence on a company;
  - Providing advice on the pricing or structuring of a securities offering or providing background on market sentiment and the likely reception of a proposed transaction;
  - Participating in investor presentations but only in a manner consistent with this Policy;
  - Providing pre-transaction investor education reports, however such reports may only be provided where they comply with this Policy and the relevant provisions of the Corporations Act 2001/ASIC regulatory Guide 264, is not distributed in a jurisdiction which prohibits such reports and does not include either recommendations or price targets.
- 8.8 Where this involvement exposes Research Analysts to inside information, information barriers are used to ensure that the analyst does not trade in the financial products of the company, does not pass

on the inside information and does not publish Shaw Research until the relevant information is publicly available.

## **9. How does Shaw supervise its Research Analysts?**

- 9.1 Shaw Research Analysts are supervised by the Head of Research. The Head of Research reports directly to the Joint Managing Directors.
- 9.2 Supervisory analysts are responsible for performing quality control in relation to research generated by Research Analysts. Supervisory analysts include the Head of Research, the Chief Investment Officer and/or peer analysts. Quality control, in this context, includes:
- Checking all research which involves the amendment of a price target or recommendation or a change of model numbers or assumptions;
  - Periodically reviewing models;
  - Managing, declaring and/or avoiding conflicts of interest;
  - Reviewing a selection of flash notes and other commentary; and
  - Supervising and running the morning meeting, in conjunction with the Chief Investment Officer.
- 9.3 Supervisory analysts must have sufficient seniority and relevant experience.
- 9.4 A random sample of research is reviewed quarterly by Shaw's 2<sup>nd</sup> Line Compliance team in accordance with its key control testing schedule, as well as on an ad hoc basis. Testing results and recommendations for improvement are provided to the Head of Research, the Chief Compliance Officer and Shaw's Audit, Risk and Compliance Committee.

## **10. How does Shaw decide which companies or investments to cover?**

- 10.1 All decisions on research coverage, timing and content are the responsibility of the Head of Research in conjunction with the Joint Managing Directors. In making these decisions the Head of Research will take into account:
- The outlook for the investment and those companies operating in that investment's industry from a potential investment perspective;
  - The attractiveness of the investment proposition when viewed by clients and potential clients;
  - The extent to which new research into the security, company, industry or issue would create a more efficient market by closing an information or knowledge gap in the market;
  - The demand for research into the company based upon the extent of existing coverage in the market and the uniqueness of the research in the market;
  - The demand for research into the company based on holdings of clients and potential clients;
  - The requirement for the company to be understood by the investment community particularly if the company is new, complex or not well understood;
  - The effort required to research the company in terms of time, travel and other costs; and
  - Any conflicts of interest, real or perceived.

## 11. Information Barriers

- 11.1 Shaw has information barriers in place to ensure that Research Analysts in possession of inside information do not trade on this information or pass this information on to other staff members or clients.
- 11.2 Shaw has internal controls designed to prevent the flow of information between business areas. These include housing Research Analysts separately from Corporate Finance staff and advisory staff, with separate printing facilities and separate secure IT drives.
- 11.3 The timing of proposed Shaw Research and content of unpublished Shaw Research may not be disclosed by any means to anyone, either inside or outside of Shaw other than in accordance with this Policy. Shaw's policy is to release Shaw Research to advisers and clients (who have registered to receive such research) as close to simultaneously as is possible in the circumstances.
- 11.4 Shaw's policy is to identify and manage any conflicts of interest arising that might compromise the impartiality of Shaw Research and Research Analysts. Where perceived conflicts exist, Shaw discloses these to clients in the research report. For instance, Shaw charges its clients brokerage in respect of transactions in financial products of the companies covered by Shaw. As a result, Shaw's standard research disclaimer contains the following:

*"Shaw will charge commission in relation to client transactions in financial products and Shaw client advisers will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously, or may in the future earn, fees and commission from dealing in the Company's financial products"*

- 11.5 Further, because Shaw Corporate Finance provides corporate finance services to some companies over which Shaw provides research coverage, Shaw discloses this relationship where Shaw has provided these services within 12 months prior to the date of the report. In this regard, Shaw's standard research disclaimer notes:

*"Shaw acted as Sole/Joint Lead Manager and Underwriter in the <insert month and year> <insert corporate action> of <insert company> securities for which it received fees or will receive fees for acting in this capacity. Accordingly, Shaw may have a conflict of interest which investors should consider before making an investment decision"*

- 11.6 Shaw also discloses instances where:

- A Shaw staff member is a director; or
- Shaw or its associates hold 1% or more of the financial products of a company the subject of Shaw Research.

- 11.7 If Shaw, as a result of underwriting or sub underwriting activity, takes possession of stock of a company, Shaw will disclose this holding. In this regard Shaw's standard research disclaimer notes:

*"As at the date of this report the Research Analyst holds, either directly or through a controlled entity, securities in the Company that is the subject of this report... Please be aware, as at the date of this report Shaw, its related bodies corporate, directors, company secretary, their immediate family or controlled companies/trusts hold an interest in the company"*

## 12. Publication of post-deal research

- 12.1 Where Shaw is appointed on behalf of a listed company as a lead manager or joint lead manager ('**Lead Manager**') in relation to an initial public offering ('**IPO**') Shaw will not publish any research relating to the subject company for a period 10 days after the listing.

- 12.2 Similarly, where Shaw is appointed as a Manager or Co-Manager in relation to a placement, rights issue or other capital raising, Shaw will not publish any research for a period of 3 days after the listing of the placed products.
- 12.3 These restrictions will not apply in the event that there is a specific need to publish research to clients due to market events or other factors which have an impact on the company. Further, where Shaw participates in an IPO but is not the Lead Manager or capital raising and is not a Manager /Co-Manager, these restrictions will not apply.

If you have any queries regarding the contents of this Policy, please contact Shaw Compliance on +61 2 9238 1238 or [compliance@shawandpartners.com.au](mailto:compliance@shawandpartners.com.au)