



CAER Independence Policy

Preamble:

CAER prides itself on providing our clients with independent, tailored and objective research.

The Centre for Australian Ethical Research (CAER) is an independent, not-for-profit organisation majority owned by its staff and directors. As such CAER, in its research and other operations, cannot be subjected to influence by any other shareholders. Australian Ethical Investment holds a lien on shares as a result of their provision of start-up funding for CAER. This will automatically lapse on full repayment of the loan.

Individuals who are from some of CAER's stakeholders may have a seat on the CAER Board. Such individuals sit in their own right and not as representatives of the organization or interests with whom they are identified. CAER deliberately does not have a formal stakeholder structure for its board i.e. designated stakeholder representation, but appoints board members on the basis of their broad knowledge and experience of the responsible investment field and its operating environment.

Potential conflicts of interest are identified and are handled in a variety of ways e.g. informing the meeting of their interest and individuals absenting themselves from matters of discussion that directly relate to their organization. Board members declare their interests in particular discussions at Board meetings and a formal register of these interests is maintained by CAER as part of a broader survey of member skills, knowledge, experience and outside interests. Annual Compliance and Insurance proposals outline the skills and experience held by CAER Board representatives.

CAER does not have an external advisory body to determine research or other policy and strategy. The CAER board comments on and approves the research strategy but has determined that CAER staff working in consultation with clients, academics, civil society and other experts as appropriate and necessary should determine CAER research methodology. As CAER does not have a definitive rating as its output it sees no need to have an advisory board or equivalent to help determine the basis of such a rating system. CAER aims to provide a service to each of its clients that meets their particular needs rather than having a single research output.

CAER's global research partner EIRIS has drafted their own Code of Conduct and Independence Policy, and these have been reviewed and judged to be compatible with CAER policies.



Policy Text:

The core principles of the CAER Independence Policy, which are applicable to all staff, are:

1. CAER research is independent of all inappropriate influence and aims to provide clients with an objective assessment of corporate environmental, social, governance and ethical management and performance.
2. Determination of gradings, rankings and other outputs of CAER research is done with due regard only to information and inputs from credible sources and is not influenced by third parties or others who may have an interest in representing a company in a biased fashion that would make an objective assessment impossible or invalid. Whilst data is used from NGOs and others with potentially biased views, CAER uses a clear and written methodology to determine when such information is valid for the purposes of its assessments. In preparing research for clients, CAER researchers will at all times avoid emotional, inflammatory or derogatory language.
3. CAER does not have an opinion as to whether an individual client should or should not make any investment decision, adopt a particular screen or criterion, or interpret a rule in a particular manner. CAER will structure reports in such a way that any personal analyst opinion will be identified as such and separated from the factual, information gathering section of investment reports.
4. Determination of gradings, rankings and other outputs of CAER research may not be influenced by an existing or potential business relationship between CAER and a researched company or a third party representing a company. CAER researches companies such as financial institutions which are also clients but the research function is kept appropriately separate from the client function. Client team members are forbidden from pressuring researchers into giving favourable treatment of any sort to CAER clients or potential clients that are being researched. Where a researcher does work closely with particular clients (such as in the development and delivery of bespoke research) who are listed financial institutions then that researcher will not be allocated these institutions as part of their research programme. Should any such pressure be applied the researcher(s) in question must report this to their line manager and the research manager, who will deal with this infringement in discussion with the client team member's line manager. Should a client or potential client put any direct or indirect pressure on a researcher this too shall be reported and the client informed that such behaviour is unacceptable.
5. Determination of individual company gradings, rankings and other outputs of CAER research is not determined by individual board members of CAER. Whilst Board members may have the ability to influence research strategy and policy they do not have any day to day say in individual company research. Any employment paid or unpaid, direct or indirect by CAER Board members for clients or companies we research should be known by the Board as a whole and the CAER staff. Should any pressure be brought to bear by a Board member this should be brought to the attention of the Chief Executive and Chair of the Board as relevant. As CAER has no other owners than directors and staff, no influence can come from any other owner.
6. Determination of gradings, rankings and other outputs of CAER research is not influenced by customers in as much as CAER would not vary a particular conclusion solely because a customer asked us to do so. However matters such as areas CAER chooses to research and accompanying assessment approaches for criteria may be influenced by client choices and views since the CAER research methodology is explicitly meant to reflect client demand and input. Also if any client (or other stakeholder), indicated to CAER that they believed our research to be inaccurate, or that the methodology had not been properly applied, then CAER is committed to re-examining such research carefully before making any appropriate changes. Such changes made by a researcher have to be approved by either the research area expert or a line manager. A record is kept by CAER of correspondence with clients on matters related to company research, including client comments and requests.

CAER Independence Policy 2009.doc

Updated – 26 November 2009

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Corporate Analysis Enhanced Responsibility

7. While all CAER staff undertake company research from time to time, no staff undertake consulting on behalf of companies that CAER researches except for financial institutions which may be both researched and be clients of CAER. CAER ensures that staff who have client management responsibilities do not undertake research on companies in the finance sector who may wish to manage SRI funds using CAER research. CAER will undertake consulting for listed companies that may wish to develop a responsible investment strategy. These could include listed financial institutions that wish to offer one or more responsible investment products or approaches in one or more parts of their operation. It could also include other listed companies which might, for example wish to adopt responsible investment for their pension schemes. CAER does not provide consulting for a company regarding its CSR practices though it may advise it (without payment) on how to meet CAER client criteria. Such consulting may be done by the research team but this is done without prejudice regardless of whether the company is a client or not. In practice it is fairly rare for the company receiving such consulting to be a client.
8. CAER has written procedures to identify and eliminate, or manage and disclose any conflicts of interest that may influence the independence and objectivity of CAER research. These are contained in the CAER Code of Conduct and the Conflicts Register.
9. The full, complete and clear disclosure of any such conflicts of interest is done in a timely fashion and known to all CAER staff through the Conflicts of Interest Register and the Annual Compliance Reporting process.
10. From time to time clients may request that individual CAER staff express their own opinions in dealing with client staff or providing material for clients. In such cases:
 - opinion will be clearly acknowledged as such;
 - should not be given much prominence;
 - an executive summary will be included with no opinion expressed; and
 - in preparation of reports or other material, both sides of any argument/consideration about interpretation of client guidelines/rules will be evenly put and written in a flat impartial style.
11. If CAER is asked to develop a framework to “operationalise” the way a client’s own criteria are intended to apply it should do so as much as possible based on reference to the client’s higher level rules and current practice, but with as little as possible reference to the individual staff member’s personal opinions on the merits/demerits of the issue.
12. At no time will CAER material or staff criticise a client’s own framework, rules or decision-making processes. Feedback to the client on the consistency, utility and/or comparability of criteria may be appropriate, however, although such comments will never be made public.
13. CAER does not generally undertake paid work that is not related to the provision of services for investors seeking information on corporate environmental, social, governance or ethical management and performance. Exceptions include provision of such information to charities for them to screen suppliers and donors, and potentially undertaking surveys on issues of interest to clients and/or the public. CAER does not provide any paid services to companies such as “solicited” CSR advice or ratings except in their role as investors (e.g. a financial institution’s investment division).
14. The following potential conflicts of interest are dealt with as indicated:
 - a. companies are not paid for being rated;
 - b. CAER is not owned by any company it researches;
 - c. CAER does not provide paid consulting to companies it researches but may assist companies understand how to meet client criteria – this is not paid for;
 - d. CAER is not majority owned by any one of its clients;
 - e. CAER does research some companies that are customers e.g. financial institutions but subject to the provisions in both paragraph 3 and point (c) above;



- f. CAER does not provide research in conjunction with asset management services or other forms of financial services.
15. CAER staff may not research or directly influence the research of companies in which they directly own shares, or companies with whom they have had a significant business or employment relationship in the previous six months, or companies for whom an immediate relation (spouse, partner, parent, offspring or sibling) currently works. CAER employees are required to declare whether any of these three situations applies to them.
16. Researchers may not buy or sell shares or derivatives in any company which they research, although such shares or derivatives may be held through a mutual fund or similar vehicle.
17. CAER researchers and other staff may not solicit money, gifts or other favours from companies that are researched or with whom CAER has a business relationship or receive the same unless these are of minor monetary value and have been given in good faith, disclosed or in accordance with cultural tradition. CAER staff must not pay facilitation payments.
18. Any conflicts of interest referred to above must be reported to the appropriate manager (usually their line manager) and if any CAER staff member finds themselves in a situation where they feel they may be facing a conflict of interest this should be reported to the appropriate person. (Compliance Officer)

The CAER Code of Conduct is to be referred to in conjunction with this policy.

Compliance and monitoring:

The compliance officer for the independence policy is the Chief Operations Officer.

Quality Review:

Each quarter CAER's international partner EIRIS requests a random report that is reviewed for accuracy against set guidelines to assess quality standards and adherence to agreed upon guidelines.

Audit Process:

Each year a nominated CAER director will be provided with a random sample of CAER material chosen by them. They will audit the extent to which this policy has been complied with and report to the board. CAER management will provide reports and monitor the quality of research work produced so as to be able to monitor performance and implement corrective action where and when it may become necessary.