



CAER Stakeholder Policy

Introduction

CAER defines its stakeholders as those organisations or individuals who have an interest in, or are affected by, its activities, products, services and associated performance.

The stakeholder policy covers both:

(1) CAER and its own stakeholders ('direct' stakeholders) who might be involved in (i) the governance and direction of CAER as an organisation or (ii) in the development of CAER's research methodology and/or providing research data;

and;

(2) the stakeholders of the companies CAER researches ('indirect' stakeholders).

In practice, an organisation could sometimes fall into both categories. For instance, a human rights monitoring organisation might be both a stakeholder of a multi-national company and also provide CAER with data on human rights' indicators for particular countries.

Active dialogue is most prominent in relation to direct stakeholders, whereas indirect stakeholders tend to be more passive.

The following table outlines, in broad terms, the role and influence of the respective types of stakeholders.

| Stakeholder type | Governance of CAER | Methodology | Data Collection | Analysis and Assessment | Company Engagement |
|------------------|---------------------|---------------------------|--------------------------------|---|---|
| Direct | Yes e.g. Lenders | Yes e.g. NGOs, clients | Yes e.g. Environment Agency | No (except for some Convention Watch stories) | Yes (especially through clients) |
| Indirect | No | No | Yes e.g. some NGOs | No (except for some Convention Watch stories) | Yes (for some Convention Watch stories) |



1. CAER governance

Stakeholder organisations are not formally represented on the board of the Centre for Australian Ethical Research (CAER) Pty Ltd. The nature of stakeholder involvement in the governance of CAER is more fully considered under the CAER Independence Policy. However, some lender organisations, in particular Australian Ethical Investment Ltd (AEI), may influence the way governance arrangements are established. AEI holds a lien over CAER shares that will lapse upon repayment of start-up financing provided to CAER by AEI. AEI retains the right to appoint a Director of CAER until that time.

2. Direct stakeholders

Input into research methodology:

A range of direct stakeholders including clients, NGOs, regulatory or government bodies, industry associations and other academics / experts play a prominent role in terms of devising or reviewing methodologies for particular areas or criteria. Elements of the CAER annual research plan will require dialogue with relevant stakeholders to take their views into account when undertaking area reviews or developing new criteria. Their involvement occurs through various channels appropriate to the particular requirements arising. For instance dialogue may occur through one-to-one discussions, use of focus groups that bring a variety of interested parties together and also surveys. Such dialogue may seek to identify such things as identification of key issues or questions, identification of best practice, client requirements, identifying sources of information, testing proposals and draft criteria.

As a responsive and client-orientated organisation, CAER clients have a significant influence on the methodological developments of the research. At the same time it is not always feasible to find a consensus among all clients. For example, some may be uncomfortable with the risk exposure categorisation for particular sectors. In cases of this kind, CAER may consider providing revised classifications, lists, criteria or assessments on a bespoke basis to meet particular client concerns.

Engagement:

Some stakeholders, most notably clients, may engage independently with companies using CAER research in order to clarify or obtain further information relating to CAER criteria and assessments. Providing the Company allows any data arising from these engagements to be used, the information may be incorporated into the CAER research databases which may lead to revisions of the assessment(s) for the particular company.

Analysts are encouraged to meet periodically with stakeholders such as NGOs, industry associations or attend external working groups related to CSR issues to keep their knowledge of the issues and sectors up to date, such as new initiatives or evolving best practices. Analysts also present at events to share knowledge with the CSR / SRI industry, or participate in wider initiatives such as the Global Reporting Initiative which are central to CAER's work and being.

Companies:

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Although companies are direct stakeholders of CAER, separate guidelines exist that govern relations with them, such as in the CAER Code of Conduct, CAER Independence Policy and in client documents such as the *Practical Guide to EIRIS Research*. In general, CAER seeks information from company representatives and asks them to comment on research profiles of these companies. This is undertaken in a manner which addresses company concerns such as questionnaire fatigue, duplication of data already in the public domain or previously provided. CAER also on occasions undertakes pre-testing of data and methodology with companies.

Partners:

CAER participates in a network of global research partners coordinated by EIRIS Ltd in London. EIRIS' research partners provide research for the companies domiciled within their area of geographical coverage and also have responsibility for engaging with those companies.

Whilst the direct stakeholders of partners may not be the same as CAER's, EIRIS has informed CAER that they have no bearing on the research that they undertake for EIRIS.

Data provision:

Other stakeholders such as NGOs, trade unions, regulatory bodies, index providers and other bodies may provide data relevant to implementing CAER's research methodology. CAER analyses and incorporates this data into its research to make assessments of companies. Some of this data may be either proactively acquired from the stakeholder in question, or taken from stakeholder websites, reports, surveys or other databases or literature.

3. Indirect stakeholders

These cover those organisations who have an impact on or express views on companies and who will influence companies perhaps in the way companies make information available, or encourage companies to adopt particular policies or initiatives that result in data becoming available to CAER.

Data provision:

Indirect stakeholders normally play no part in the assessment, rating or review of a company. The exception is in relation to Convention Watch, when some company stakeholders are contacted by CAER or by our global partner EIRIS to provide comment or clarify aspects of a story or event in which they are identified.

CAER is not an activist organisation. CAER is an honest broker of ethical investment data on investments and company activities. Hence CAER does not attempt to solicit views from a range of stakeholders with an involvement or influence upon specific companies. CAER believes that in the context of both the number of companies and the range of issues it covers, it would be impossible to consistently and objectively pursue a programme of stakeholder input into a company's assessment.

Methodology:

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Indirect stakeholders may indirectly affect the development of CAER methodology in the sense that they have created a societal or corporate context in which companies behave, which CAER normally aims to capture and reflect in its coverage.

4. Identification of stakeholders

CAER's global partner EIRIS draws upon the *AA1000SES (Stakeholder Engagement Standard) Exposure Draft* and the concepts outlined therein, produced by AccountAbility. EIRIS considers, and CAER agrees, that the following categories constitute its direct stakeholders:

- Responsible investment industry bodies
- Clients
- Finance industry - general
- Competitors
- EIRIS partners
- NGOs & campaign groups
- Companies
- Media - trade and general
- Government or regulatory bodies
- Data providers
- Industry / trade bodies
- Multilateral organisations e.g. OECD
- Academics / experts
- EIRIS and CAER staff / trade union
- Other business partners / suppliers

CAER will undertake a more detailed mapping of its stakeholders with a view towards reporting regularly to stakeholders. This will cover what issues are to be considered, the importance and influence of these issues, their materiality, the risk or opportunity they pose and how these are being addressed.

5. Record of stakeholder dialogue

CAER maintains a log/record of stakeholder dialogues and records where stakeholders have provided inputs or opinions, for instance in cases of a Company Convention Watch assessment.

6. Stakeholder involvement and continuous improvement

CAER will strive for continuous improvement and where appropriate, establish targets and performance monitoring for stakeholder involvement. However, CAER's general research approach is to treat companies as fairly and equally as possible and so limit consulting with the stakeholders of individual companies. As stated above, it is considered impractical to consult the stakeholders of each company CAER covers. CAER's approach emphasises where stakeholder input clearly adds

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value, which is normally at the criteria development/review stage, in SEE sector reports and in Convention Watch reports which may be strongly NGO driven, rather than having stakeholder inputs into corporate assessments.

Where targets are set for stakeholder involvement, it does not mean that all information derived from the dialogues will be published or always taken into account. However, the principle of the dialogue is that it is applicable to all researched companies and sectors (although allowing for jurisdictional or geographical limitations etc). Nor will such information breach confidentiality and privacy issues, or any legal framework or liability responsibilities.

7. Stakeholder manual

Instructions for handling stakeholder involvement in terms of methodology developments or data provision are provided in relevant methodology documents (including CAER Procedures Manual, CAER Code of Conduct, CAER Independence Policy and client documents such as the *Guide to EIRIS Research* and the *Practical Guide to EIRIS Research*) and the criteria development process guidance.

8. Stakeholder report

CAER will work towards producing a stakeholder statement in conjunction with a strategic forward-looking Marketing Plan to 2012. The report will cover or include:

- an update on stakeholder policy and engagement practices;
- list and review of existing stakeholders (or at least most significant);
- disclose changes to how stakeholder groups and their representatives are involved in the structure and operations of CAER, detailing the nature of their responsibility or representation;
- outline how any potential conflicts from stakeholder pressures have been handled, either in attempting to influence the assessments of individual companies or the general methodology or direction of the research;
- how the views of the stakeholders are built into the methodology review process;
- how the CAER stakeholder management concepts and procedures were implemented;
- how any indirect stakeholder views are taken into account on the level of data collecting;
- how stakeholder input is representative of researched companies' stakeholders, and how obtained information contributes to output relevance and accuracy, while maintaining objectivity and consistency;
- log of analyst meetings with stakeholders;
- continuous improvement measures.

In some aspects, reporting may need to be confidential, or provided in some aggregated or non-attributable form e.g. identification of specific clients or stakeholders.