

Cairn Policy on Independence

Background and Purpose:

Associates at Cairn Investment Performance Consulting have extensive experience in the areas of both performance measurement, and verification of firms claiming GIPS® compliance. Our collective experience is more than a decade of verifications, including hundreds of firms, all around the globe. Since 2009, we've been focused on the consulting and outsource services for firms claiming compliance with GIPS. We've also assisted hundreds of candidates prepare for the CIPM® exam, and currently maintain the only review course and prep materials in the market.

Effective September 2018, we are returning to our roots, and will begin offering verification and attestation services. As many firms have historically (and currently) run afoul of independence issues, we feel it is necessary to clearly articulate our consideration and policies regarding issues of independence.

Consideration and Due Diligence:

In drafting our policy, we consulted both the GIPS Guidance Statement on Verifier Independence, and general guidance from the AICPA related to attestation services. While GIPS generally places the burden of independence considerations on the asset manager, we feel it is important to give our own consideration, for the benefit of the industry, for our clients, and for our own reputation.

Also, our own experience in the industry has shown there is an area of independence that is generally given inadequate consideration, and that is in the mixing of verification and consulting services. GIPS generally allows verifiers to provide guidance and templates, so long as the verifier does not step into a management or decision-making role. However, in application this is generally a grey area, and we feel many firms have crossed the line, whether it be deliberately or with the best of intentions. Additionally, complementary services lines generally encourage service providers to accept more business than they ought to, because they unwilling to give up revenue and market share in other areas of the industry. While the service provider benefits, the industry and the public benefit suffers.

Aims and Policies:

The Bottom Line: we aim to keep our integrity and reputation above reproach.

- **Consulting Work:** We will not attest to any of our own work product. Period. Where we have performed consulting work for a firm related to GIPS compliance or performance calculations, we will require that client receive a verification from another reputable verifier prior to engaging in our verification work. Additionally, there will be no overlapping periods of work. For example, if we construct and calculate composite through 2017, we would only consider picking up verification for

periods beginning in 2018, and after another verifier has issued an opinion on the policies and performance we may have had a hand in preparing.

- **Financial Interests:** Our only financial or economic benefit we derive from our clients will be the fees for the services we perform. This applies to both the company, and the employees.
- **Family Members:** Any employees at Cairn shall not have any family members at client firms, within 3 steps from that individual. This would preclude grandparents, grandkids, aunts, uncles, and first cousins.

Documentation and Conclusion:

As part of our verification workpapers, we will document that our Independence Policy has been considered and satisfied. Since we believe transparency and forthrightness benefit the industry as a whole, we welcome any and all inquiries on our policies and procedures in this area. Just like with our verification work, if you didn't get it directly from the source, then you didn't do your homework!