

# Credit Suisse (UK) Limited Approach to our Stewardship & Engagement activities

# Introduction

The UK Stewardship Code (the Code) was adopted by the Financial Reporting Council (FRC) in July 2010 and most recently revised in October 2019. Its aim is to set out good practice for institutional investors when engaging primarily with the UK listed companies in which they invest.

Credit Suisse UK Ltd (CSUK) does not comply with The UK Stewardship Code 2020 of The Financial Reporting Council and it is not a signatory to this code. However the following document sets out Credit Suisse UK Ltd's (CSUK) approach to its stewardship and engagement activities.

The current business model for CSUK contains very few direct investments into UK listed companies with most exposure being via the purchase of funds investing in companies including UK listed companies. Specifically the Code would apply to the Investment Management business ('IM') of CSUK. The IM business has both an internal and external custody business and the voting approach at Annual General Meetings ('AGMs') and Extraordinary General Meetings ('EGMs') differs between the two areas of the business.

This document addresses the approach of the IM business and therefore CSUK to its stewardship and engagement activities. Where procedures differ within the business a distinction is made between internal custody and external custody business.

We recommend that this document is read in conjunction with the Global Corporate Responsibility and Corporate Governance sections of the Credit Suisse website which can be accessed using the attached links:

- [Corporate Responsibility](#)
- [Corporate Governance](#)

## Stewardship, Investment and ESG integration

CSUK typically adopts a long term investment view that is focused on its client's interests with the aim of preserving and protecting the value of client investments. CSUK monitors its investee companies primarily through meetings held by the individual investment teams with the investor relations teams and or Senior Management. Due to the scale and diversity of CSUK's business model the individual teams may employ different styles and strategies when monitoring and engaging with investee companies. Where appropriate, factors such as (though not limited to) capital structure, corporate governance, performance, remuneration, risk and strategy may be taken into consideration.

Other monitoring activities will include reviewing CSUK's positions in investee companies during monthly investment meetings and having in place stop loss procedures. When triggered, the stop loss procedures will lead to an in depth analysis and heightened monitoring of stocks by CSUK's investment teams.

CSUK's intervention strategy will be decided on a case by case basis following internal discussions. Any intervention by CSUK's investment teams will primarily be directed at the investee company's Investor Relations Department to obtain further information on an issue. If a resolution cannot be agreed, investor teams may engage with the senior management of the investee companies directly. Where appropriate, CSUK may seek to collaborate with other significant shareholders.

CS UK applies an Environmental, Social, and Governance (ESG) Exclusions policy across all direct UK equity and bond investments. The IM team will not make direct investments in

companies that breach its Norms-based, Value-based or Business Conduct exclusions (further information available on request) unless a client instructs otherwise. This excludes firms that violate international treaties, have a non de minimis exposure to controversial business areas or unethical behaviors, or are in breach of the UN Global Compact. Further information on the ESG exclusions policy is available on the Credit Suisse website via the **Credit Suisse Sustainable Investment Framework**

CSUK also offers its clients a range of sustainable solutions, where the Credit Suisse investment process fully incorporates ESG integration as well as thematic and Impact investing. ESG integration means sustainability considerations as defined by CS internal framework are a fundamental and intrinsic part of the investment process.

## Exercising rights and responsibilities

In the UK, for the external custody business of IM, it is the responsibility of the third party custodian to inform the client in respect of AGMs and EGMs and to manage the exercise their voting rights.

For the internal custody business post Brexit, CSUK does not deem UK listed companies to fall under the Shareholder Rights Directive II (SRD II), which is a European Union (EU) directive. CSUK does not forward notifications in respect of AGMs and EGMs to its clients nor does it exercise their voting rights.

## Conflicts of interest

CSUK appreciates that its Stewardship activities may give rise to conflicts of interest but will always consider its fiduciary responsibilities with the aim of acting in the best interests of all of its clients. CSUK has a Conflicts of Interests Policy that identifies categories of conflicts, the procedures put in place to manage those conflicts and the review process. Further information on the policy is available on the Credit Suisse website, **Credit Suisse Conflicts of interest**.

Where clients' interests vary across investments and differing portfolio management styles, the investment guidelines and restrictions will be given due consideration with the objective of 'treating customers fairly' being at the centre of any consideration and ultimate allocation decision. Similarly where a conflict arises with regard voting between CSUK and a client, a decision will be made on the basis of protecting the assets of the fund and ultimately the interests of the client base.

Credit Suisse, as a whole, actively looks to identify and mitigate its conflicts primarily through regular reviews of individual business areas and through policies and procedures. Once regular reviews have been completed, CSUK will provide guidance to its staff on any enhancements to policies and procedures on topics where conflicts may arise. Specific examples would include policies on gifts and entertainment and personal dealing by staff. To re-enforce the policies and procedures and to ensure that staff fully understand areas where potential conflicts arise, periodic staff training is undertaken. Where necessary, certain business areas segregated by additional Information Barriers to restrict the spread of nonpublic information.

CSUK investment teams, may, from time to time, be made insiders. Should a team member wish not to be made an insider, this will be clearly communicated in advance of meeting with companies. Where an investment team member is made an insider, the Control Room and Compliance Department will be informed immediately, the insider made aware of their responsibilities and details will be recorded on a Restricted List and, where applicable, a Watch List.

# Escalation

If during discussions with investee companies or other institutional investors, CSUK has concerns over an issue which cannot be resolved in the first instance, CSUK may look to escalate the issue to the executive management, initially on a confidential basis, to provide a resolution. Typically issues that would require an immediate escalation would include allegations of fraud, gross negligence by senior management and any other significant issues or problems identified within the investee company.

In addition to regular dialogue with companies, CSUK has adopted a number of escalation approaches which have been adopted by its investment teams. These approaches can include:

- Meetings with the non-executive directors
- Voting against the company at its AGM
- Reducing or selling CSUK's holding

CSUK would not typically make public statements, requisition EGMs or submit resolutions unless in extreme circumstances as CSUK feels that this approach would not be beneficial for its clients.

# Collaboration

CSUK in the first instance prefers to conduct its own dialogue with its investee companies but may collaborate with other institutional investors and other entities where such actions are deemed to be in the best interests of the funds and ultimately the clients. The investment teams may adopt a collaborative stance when the size of a CSUK shareholding, on a standalone basis, is insufficient so as to exert influence when voting on critical company issues such as a fundraising or a corporate governance related matter.

Any collaboration will primarily take place via dedicated formal meetings that will normally include other institutional investors, but may be expanded in special circumstances to include trade associations or government entities. The outcome of any collaborative stance may be communicated to the investee companies on merit either in writing or at a specially designated meeting.

When collaborating with other parties CSUK will give careful consideration to issues that may trigger a conflict of interest. Additionally CSUK will endeavor, where possible, not to be made an insider with regard to non-public matters.

# Disclosure and transparency

CSUK will disclose details of its voting activity to its clients upon request. CSUK will use discretion in disclosing its voting intentions or making public statements of the way it has voted to third parties.

Whilst CSUK adopts a transparent approach in all aspects of its Stewardship activities where possible, in certain circumstances, at its discretion, CSUK will refrain from making disclosures public where the availability of information is considered not to be in clients' best interests.

Owing to its very limited investments into UK listed companies, CSUK does not currently consider that it is appropriate to obtain an independent audit opinion on its engagement and voting processes. Should CSUK's business model change it will reconsider this decision.

# Appendix

The UK Stewardship Code (the Code) consists of twelve principles for asset owners and managers, and operates on a 'comply or explain' basis. These principles cover four categories: Purpose and governance, Investment approach, Engagement and exercising rights and responsibilities, shown below.

## **Purpose and governance**

1. Purpose, strategy and culture
2. Governance, resource and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Review and assurance

## **Investment approach**

6. Client and beneficiary needs
7. Stewardship, investment and ESG integration
8. Mentoring managers and service providers

## **Engagement**

9. Engagement
10. Collaboration
11. Escalation

## **Exercising rights and responsibilities**

12. Exercising rights and responsibilities



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