

# Investment Management Engagement Policy Statement

**Credit Suisse (UK) Ltd's Investment Management (CSUK IM) Engagement Policy Statement provides stakeholders with an overview on how CSUK IM, intends to adopt controls and procedures to ensure compliance with Article 3g of the Shareholder Rights Directive II (SRD) and adherence to the Financial Reporting Council UK Stewardship Code.**

The Investment Management business (IM) of Credit Suisse (UK) Ltd manages the assets entrusted to them by clients in accordance with strict statutory and regulatory requirements. They invest the capital in financial instruments on behalf of their clients and have a duty to act in their best interests.

Where appropriate, IM consider stewardship/ engagement for all equity investment strategies. Depending on the investment strategy, active managers that employ a fundamental investment research based process would be expected to develop a deep understanding of investee companies, which should enable them to have a meaningful discussion with the management of those companies.

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# Credit Suisse UK Investment Management Engagement Policy Statement

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## Background information based on the Financial Reporting Council (FRC)

### Scope

The CSUK engagement Policy Statement applies to the IM business of CSUK only, which invests in companies listed on regulated markets. This also includes certain markets situated outside the EEA.

### Effective date

Procedures and processes employed to implement the principles described in the CSUK IM Engagement Policy Statement came into effect as of June 10, 2019, to the extent required by law.

### Further references

Credit Suisse's global statements on

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

The above global statements should be read in conjunction with CSUK IM Engagement Policy Statement to obtain a holistic overview of its approach.

## Principles of the CSUK IM Engagement policy statement

CSUK IM adheres to the engagement principles below, as set out in the [Financial Reporting Council UK Stewardship Code](#).

### **Principle 1 - Investment Managers should publicly disclose their policy on how they will discharge their stewardship responsibilities**

CSUK IM 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 its investments.

CSUK IM monitors its investee companies primarily through research received, discourse with brokers and analysts as well as meetings held with the company investor relations teams and/or senior management. Due to the scale and diversity of CSUK IM'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 IM's positions in investee companies during monthly investment meetings. Stop-loss procedures, when triggered lead to more in-depth analysis and heightened monitoring of stocks by CSUK IM's portfolio managers.

CSUK IM's intervention strategy will be decided on a case-by-case basis following internal discussions. Any intervention by CSUK IM'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 will engage with the senior management of the investee companies directly. Where appropriate, CSUK IM may seek to collaborate with other significant shareholders.

### **Principle 2 - Investment Managers should have a robust policy on managing conflicts of interest in relation to its engagement and this policy should be publicly disclosed**

CSUK IM 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 its clients. CSUK IM 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 request.

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 to between CSUK IM 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.

Credit Suisse as a whole, actively looks to identify and mitigate its conflicts primarily through regular reviews of individual business areas, policies and procedures.

Once regular reviews have been completed, CSUK IM 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 as well as personal share 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 are segregated by additional Chinese Walls to restrict the spread of non-public information.

### **Principle 3 - Investment Managers should monitor their investee companies**

CSUK IM actively monitors investee companies, primarily through the analysis of period financial results and meetings held by its individual investment teams. Topics typically debated will include issues around company strategy, ongoing financial and operational performance, capital structure particularly leverage and corporate governance issues. Individual investment teams will decide whether it is necessary to meet with senior management or the Investor Relations Department when undertaking their day to day investment analysis. When this is necessary, it is typically done directly with the company. The investment teams also analyze companies using the MSCI ESG rating system to monitor environmental, social and governance issues.

Other relevant topics that require further discussion are brought to the investment team's attention by utilising research from internal and external analysts.

CSUK IM considers that its portfolio managers play a vital role in the ongoing supervision of investee companies and can help to identify problems at an early stage to help minimise loss of shareholder value.

The current business model for CSUK IM has only limited direct investment in UK companies with the majority of investments being made through funds that invest into UK companies. Where direct investments are made, the company's management is given primary consideration, ensuring that the board and any subcommittee observe the UK Corporate Governance Code. Any issues, including, corporate governance matters will be initially raised with the investor relations team of the investee companies and/or escalated to the senior management.

CSUK IM keeps minutes of meetings with investee companies and details of any vote that has been cast. In instances when CSUK IM votes against companies or abstains from voting, the investment teams will document a clear rationale. The broad approach of CSUK IM is to not vote on behalf of its discretionary clients. CSUK's policy on corporate actions is fully detailed in the Credit Suisse Private Banking Terms and Conditions.

CSUK IM 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 Legal 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.

CSUK IM's investment teams would not typically attend the Annual General Meeting (AGM) for its investee companies unless there are any particular concerns or a specific reason to do so. However if CSUK has a relatively large holding in a company individual investment team members may attend post AGM industry analyst discussions.

### **Principle 4 - Investment Managers should establish clear guidelines on when and how they will escalate their stewardship activities**

As detailed in Principle 3, if during discussions with investee companies or other institutional investors, CSUK IM has concerns over an issue which cannot be resolved in the first instance, CSUK IM will 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 IM can adopt a number of escalation approaches including:

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

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

### **Principle 5 - Investment Managers should be willing to act collectively with other investors where appropriate**

CSUK IM in the first instance prefers to conduct its own dialogue with its investee companies but will 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 IM 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 IM will give careful consideration to issues that may trigger a conflict of interest. Additionally CSUK IM will endeavour, where possible, not to be made an insider with regard to non-public matters.

#### **Principle 6 - Investment Managers should have a clear policy on voting and disclosure of voting activity**

CSUK IM primarily manages discretionary mandates of individuals. Clients of CSUK IM will be informed directly by their custodians about AGMs and EGMs to facilitate the exercise of their shareholder rights. For discretionary mandate clients, CSUK IM does not actively offer proxy voting services because this service has never been offered as part of the CSUK IM investment strategy and CSUK IM do not currently have the resources to engage in such services.

#### **Principle 7 - Investment Managers should report periodically on their Engagement policy and voting**

Once a year, CSUK IM will publically disclose how its engagement policy has been implemented via its website. Whilst CSUK IM adopts a transparent approach in all aspects of its engagement activities where possible, in certain circumstances, at its discretion, CSUK IM will refrain from making disclosures public where the availability of information is considered not to be in the clients' best interests.

#### **Transparency of asset managers**

The UK Financial Conduct Authority states that they view an SRD Institutional investor as a Life Company or an Occupational Pension Scheme to be asset owners. CSUK IM will disclose to these clients, at least annually, discretionary portfolio information including: performance, portfolio composition, turnover, costs and charges and the investment process underlying the mandate via the portfolio review documents. These clients will also receive information on the medium to long-term risks associated with their discretionary mandate at the Strategic Annual Client Review (SACR), when the continued suitability of the mandate is assessed.

CSUK IM does not use proxy advisors nor does it undertake securities lending on the underlying assets of the client's portfolio. The firm's policy on conflicts of interest for SRD institutional investor clients is set out in principle 2 above.



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