

# The UK Stewardship Guide

## Introduction

The UK Stewardship Code (the Code) was adopted by the Financial Reporting Council (FRC) in July 2010 and subsequently revised in September 2012. Its aim is to set out good practice for institutional investors when engaging primarily with the UK listed companies in which they invest.

The code consists of seven principles and operates on a 'comply or explain' basis. The main focus areas include:

- How firms discharge their stewardship responsibilities
- How firms manage their individual conflicts of interest
- Disclosing a clear policy on proxy voting and publicly disclosing each firm's activities
- How firms monitor the progress of the companies in which they invest and how issues are escalated.

This document sets out the approach of Credit Suisse (UK) Ltd (CSUK) to its stewardship activities and how CSUK complies with each of the principles in the code and, where applicable, explains its reasons for taking a different approach.

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 applies to the Investment Management UK business ('IMUK') of CSUK. The IMUK business has both an institutional and a private banking focus and compliance with the Code differs in approach between the two areas of the business in respect of voting at Annual General Meetings ('AGMs') and

Extraordinary General Meetings ('EGMs').

The statement addresses how the IMUK business, and therefore CSUK, complies with the Code. Where procedures differ within the business a distinction is made between the private bank and the institutional business.

We recommend that this statement of compliance 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](#)

**Principle 1.**  
**Institutional Investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

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 its 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. Individual investment teams will decide on how to vote on matters raised at general meetings.

Other monitoring activities will include reviewing CSUK's positions in investee companies during monthly investment meetings, 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 analysts.

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 will engage with the senior management of the investee companies directly. Where appropriate, CSUK may seek to collaborate with other significant shareholders.

In the UK, the institutional business of IMUK utilises the services of external proxy voting and advisory services for positions held in external custody as do other jurisdictions, such as the US for example, to facilitate voting.

The private banking business does not, at present, receive notifications from custodians in respect of AGMs and may not receive notification from custodians in respect of EGMs. Where details of an EGM are notified the information will be provided to the client base where appropriate. For those clients who wish to vote, CSUK will require notification of complete instructions via email.

**Principle 2.**  
**Institutional Investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

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 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 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 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 segregated by additional Chinese Walls to restrict the spread of nonpublic information.

**Principle 3.**  
**Institutional Investors should monitor their investee companies.**

CSUK actively monitors investee companies primarily through meetings held by its individual investment teams. Topics

typically debated will include issues around company strategy, their ongoing performance, operational and corporate governance issues. Individual investment teams will decide whether they meet chairman or board members or the Investor Relations Department when undertaking their day to day client meetings.

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

CSUK considers that its analysts 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 CS UK has only limited direct investments 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 company's and/or escalated to the senior management.

CSUK keeps minutes of meetings with investee companies and details of each vote that has been cast. In instances when CSUK votes against companies or abstains from voting, the investment teams will document a clear rationale.

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 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's investment teams would not typically attend the General 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.**  
**Institutional Investors 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 has concerns over an issue which cannot be resolved in the first instance, CSUK 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 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.

**Principle 5.**  
**Institutional Investors should be willing to act collectively with other investors where appropriate.**

CSUK 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 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 endeavour, where possible, not to be made an insider with regard to non-public matters.

**Principle 6.**  
**Institutional Investors should have a clear policy on voting and disclosure of voting activity.**

CSUK has no single global voting policy and different jurisdictions and businesses may vary in their approach to voting. At CSUK individual investment teams of the institutional business in IMUK may be notified via a third party provider on issues that are required to be voted on for those assets held in external custody. Alternatively investment teams may receive an email notification via the custodian.

The individual investment teams all recognise and understand their fiduciary responsibilities to their individual clients and meet to decide on whether to vote with or against the investee company's management on the issue. A decision is then fed back internally to the third party provider to enable the vote to be cast. In the UK the institutional business of IMUK will look to vote wherever possible on all shares held.

The institutional business may, at its discretion, inform the individual company of its intention to vote against it and when doing so explain the rationale as to why via the third party provider or directly.

The private banking business of IMUK is targeted at the wealth management market which is typically non institutional in nature. The private banking business of IMUK currently has a very small number of portfolios that are in scope for the Code and offers a client driven service in respect of AGM and EGM voting. The private banking business does not, at present, receive notifications from custodians in respect of AGMs and may not receive notification from custodians in respect of EGMs. Where details of an EGM are notified the information will be provided to the client base where appropriate. For those clients who wish to vote, CSUK will require notification of complete instructions via email from clients four business days prior to the meeting to allow for custodian and market deadlines. CSUK believes that this approach will not disadvantage client portfolios in scope for the code.

CSUK prefers not to publically disclose its voting activity on its website as it feels that this is not beneficial to its clients and may create unnecessary adverse price reaction in certain circumstances. However, CSUK will disclose its activity to its clients upon request.

**Principle 7.**  
**Institutional Investors should report periodically on their stewardship and voting activities.**

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 the 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.



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