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David Soanes

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Rt Hon Frank Field MP  
Chair, Work and Pensions Committee

Rachel Reeves MP  
Chair, Business, Energy and Industrial  
Strategy Committee

*Sent by email*

2 February 2018

Dear Mr Field and Ms Reeves,

As the UK Country Head for the UBS Group, I am responding on behalf of Sergio Ermotti to your letter of 26 January in connection with your joint inquiry into Carillion plc.

You ask specifically about engagement with Carillion plc following the publication of the Annual Report and Accounts for 2016 (on 1 March 2017) and the interim financial results for 2017 (released 29 September 2017).

I will begin by explaining the context surrounding the reported position of UBS Investment Bank and UBS Group AG in Carillion plc shares set out in the 2016 Annual Report.

UBS Investment Bank's reported positions in Carillion plc throughout the period in question were not proprietary trading positions. They arose primarily as part of UBS's hedging (risk management) strategy for equity derivative transactions entered into by its clients, an approach widely used by global banks. In its capacity as a shareholder, therefore, UBS Investment Bank did not engage with Carillion or take any steps to influence its board's financial decisions. UBS Investment Bank's decisions to sell shares were a function of clients' transactions and its own hedging strategies relating to those client positions as they changed. When share positions are considered together with the UBS's hedging and risk management activity described above, UBS Investment Bank had no material market exposure to Carillion throughout the period in question.

UBS Asset Management had and continues to have a very small position in Carillion plc (approximately 0.1% of the company's listed equity share capital at the time of the last company AGM), for clients invested via index-tracking funds domiciled in the UK and Switzerland. We have a strong interest in ensuring that companies in which we invest on behalf of clients are successful. We are highly supportive of the UK Stewardship Code and through our stewardship activities seek to be active shareholders by

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encouraging good governance and a high standard of corporate practices. Our approach involves developing a relationship with investee companies, principally through analysis and engagement. Such engagements are selective and focused around where we have identified particular issues. Taking into account our small holding in Carillion plc, and having noted that the company met the requirements of the UK Corporate Governance Code, we did not engage with them during the 2016-17 period.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D Soanes', enclosed in a thin black rectangular border.

David Soanes  
UK Country Head, UBS Group  
Member of the Board of Directors, UBS Limited  
Global Head Financial Institutions Group, UBS Investment Bank