# Credit Suisse Group (UK) Pension Fund

## Annual Report and Financial Statements

For the year ended 31 December 2020

Scheme Registration Number: **10146102**

Contents

# Trustee and Advisors to the Fund

| | |
|---|---|
| **Trustee:** | Credit Suisse First Boston Trustees Limited: |
| **Directors:** | Glenn Wellman (Chairman)<br>Adrian Cooper (Deputy Chairman)<br>Paul Brine<br>Stephen Foster – member nominated<br>David Mayes (resigned 31 March 2021)<br>Simon Meadows<br>Patrick Flaherty – member nominated<br>Alex Spain – member nominated<br>The Law Debenture Pension Trust Corporation plc represented by Vicky Paramour – independent Trustee Director |
| **Principal Employer:** | Credit Suisse International Limited |
| **Chief Operating Officer to the Trustee** | Pegasus Pensions PLC, 8th Floor, 100 Bishopsgate, London EC2N 4AG cspensions@pegasusplc.com |
| **Consultants and Actuaries:** | Aon Solutions UK Limited<br>Sovereign Street, Leeds LS1 4BJ |
| **Scheme Actuary:** | Philip Dennis FIA<br>Aon Solutions UK Limited |
| **Independent Auditors:** | PricewaterhouseCoopers LLP |
| **Administrators:** | FIL Life Insurance Limited (“Fidelity”) |
| **Legal Advisors:** | Linklaters LLP |
| **Bankers:** | Royal Bank of Scotland |
| **Investment Consultant:** | Lane Clark & Peacock LLP |
| **Investment Custodian:** | Northern Trust Corporation |
| **Contact Address:** | FIL Life Insurance Limited<br>Fidelity International<br>Windmill Court<br>Millfield Lane<br>Lower Kingswood<br>Tadworth<br>KT20 6RP<br>Tel: DB – 0800 368 6870 DC – 0800 368 6868<br>Email: Pensions.Service@fil.com |

### Investment Manager Providers - Defined Benefit

| | |
|---|---|
| **FIL Investment Management (Luxembourg) S.A.** | (to October 2020) |
| **Insight Investment Management (Global) Limited** | |
| **M&G Investment Management Limited** | |
| **Northern Trust Asset Management** | |
| **PIMCO Europe Limited** | |

### Investment Manager Providers - Defined Contribution

| |
|---|
| **Blackrock Advisors (UK) Limited** |
| **FIL Life Insurance Limited** |
| **HSBC Life (UK) Limited** |
| **Legal & General Assurance (Pensions Management) Limited** |
| **Threadneedle Investment Services** |

All funds are accessed via the FIL Life Insurance Limited platform

### AVC Providers

| | |
|---|---|
| **AEGON** | (to January 2021) |
| **Utmost Life and Pensions Limited** | |
| **Scottish Friendly Assurance Society Limited** | |
| **The Prudential Assurance Company** | |
| **Standard Life Assurance Company** | |
| **Phoenix Life Limited** | |

# Trustee's Report

**The annual report and financial statements of the Credit Suisse Group (UK) Pension Fund for the year ended 31 December 2020 are presented and audited in compliance with regulations issued under sections 41 (1) and (6) of the Pensions Act 1995, including the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (the Regulations).**

## 1. Introduction

The Trustee of the Credit Suisse Group (UK) Pension Fund (the 'Fund') is pleased to present the annual report together with the audited financial statements for the year ended 31 December 2020. The Fund incorporates Defined Benefit and Defined Contribution Sections and is administered by FIL Life Insurance Limited ('Fidelity'), in accordance with the establishing documents and rules, solely for the benefit of its members and other beneficiaries.

Pegasus Pensions PLC is appointed by the Trustee of the Fund and Credit Suisse International Limited (the 'Company') to deliver the Trustee Chief Operating Officer ('COO') services.

## 2. HMRC Registration

The Fund is registered with HMRC under Chapter 2 of Part 4 of the Finance Act 2004. This means that the contributions paid by both the Company and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

## 3. Principal Employer

Credit Suisse International Limited (the Company) is the Principal Employer of the Fund. The Fund offers benefits for all eligible employees of the Principal and participating employers.

## 4. Trustee and Advisers

The responsibility for setting the strategy for managing the Fund rests with the Trustee.

The Trustee Directors are shown on page 2.

Decisions are made by majority voting of the Trustee Directors.

Subject to sections 241 to 243 of the Pensions Act 2004, the Principal Employer may, at any time, appoint or remove from office any company appointed director of the Trustee Company.

Member Nominated Trustee Directors (MNTDs) can be either active or pensioner members of the Fund. MNTD applications are reviewed by a selection panel and a number of suitable candidates are then interviewed. The selection panel will select candidates that meet the Trustee's criteria to fill the vacancies. The selection panel is made up of a number of Trustee Directors, the COO to the Trustee and a representative of the Company. MNTDs selected by this exercise normally serve for four years, but may be required to leave the Board if their membership status changes. If an active MNTD becomes a deferred member they may continue at the discretion of the Board and on consultation with the Company, but not beyond the next selection process. MNTDs may resign at any time and may exceptionally be required to leave the Board (by unanimous resolution of the Directors).

The present advisers and service providers to the Trustee are shown on pages 2 and 3. The day to day management and operation of the Fund has been delegated to these service providers, operating in accordance with formal contracts with day to day oversight provided by the COO. The Trustee monitors the performance of all delegates, including the COO.

**Trustee meetings**

The Trustee Board met formally five times during the year. Other meetings were held, as required, to deal with business that could not await the next scheduled meeting.

The Trustee Board has one formal sub-committee, the Investment Committee, addressing other matters via working groups for specific purposes. The Investment Committee met five times during the year and its membership during the year was as follows:

Simon Meadows (chair) – Trustee Director
Paul Brine – Trustee Director
David Mayes – Trustee Director
Glenn Wellman – Trustee Director
Craig Gillespie – Company representative (DB related items only)
Clare Abrahams – Company representative (DC related items only)

## 5. Financial development of the Fund

The Financial Statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with the regulations made under Sections 41 (1) and (6) of that Act.

## 6. Membership at 31 December 2020

| Active members | DB Sections | DC Sections | Total |
|---|---|---|---|
| **Active membership at the start of the year** | **80** | **752** | **832** |
| • Adjustments | 1 | (1) | **-** |
| | **1** | **(1)** | **-** |
| **Less:** | | | |
| • Retirements | (2) | - | **(2)** |
| • Deferred | (2) | (73) | **(75)** |
| • Opt outs | - | (2) | **(2)** |
| | (4) | (75) | **(79)** |
| **Active membership at the end of the year** | **77** | **676** | **753** |

| Deferred members | DB Sections | DC Sections | Total |
|---|---|---|---|
| **Deferred members at the start of the year** | **3,703** | **10,157** | **13,860** |
| • Adjustments | 3 | 50 | **53** |
| | **3** | **50** | **53** |
| **Add:** | | | |
| • Actives becoming deferred | 2 | 73 | **75** |
| | **2** | **73** | **75** |
| **Less:** | | | |
| • Retirements | (58) | (8) | **(66)** |
| • Deaths | (7) | (10) | **(17)** |
| • Transfers out | (64) | (321) | **(385)** |
| | **(129)** | **(339)** | **(468)** |
| **Deferreds at the end of the year** | **3,579** | **9,941** | **13,520** |
| **Pensioners and dependants** | **DB Sections** | **DC Sections** | **Total** |
| **Pensioners at the start of the year** | **854*** | **-** | **854** |
| • Adjustments | (2) | - | **(2)** |
| | (2) | - | **(2)** |
| **Add:** | | | |
| • New dependant pensioners | 6 | - | **6** |
| • Active members retiring | 2 | - | **2** |
| • Deferred members retiring | 58 | - | **58** |
| | **66** | **-** | **66** |
| **Less:** | | | |
| • Cessation of pensions | (2) | - | **(2)** |
| • Deaths | (7) | - | **(7)** |
| | (9) | - | **(9)** |
| **Pensioners at the end of the year** | **909*** | **-** | **909** |

*There are 141 (2019: 139) dependants within the figures above.

The 77 active members in the Defined Benefit Sections are those individuals with a retained benefit within the Defined Benefit Sections; these members are actively contributing to DC Plus section of the Fund.

The figures shown represent the number of records held by the Administrator. Some members have more than one record as they hold more than one entitlement to benefits from the Fund. This applies to the 77 active DB members referred to above and also 1,008 DB deferred members.

22 deferred members of the DB section had agreed to transfer their benefits out of the Fund as at 31 December 2020 as part of the Enhanced Transfer Value Exercise. These payments were made post 31 December 2020.

These figures do not reflect movements notified to the Administrator after 31 December 2020.

## 7. Pension increases

In accordance with the Rules of the Fund, pensions in payment are generally subject to increase in whole or in part on 1 April each year. In 2020 no discretionary pension increases were awarded in any section of the Fund. Members of the Donaldson, Lufkin & Jenrette International Retirement Savings Plan (DLJ) Final Salary Section of the Fund receive increases on the anniversary of the date they retired. Certain pensions are increased in line with inflation (either RPI or CPI) subject to a maximum increase of 5% p.a. For the purpose of the 1 April 2020 pension increases, the applicable increase was 2.4% for those receiving an RPI linked increase and 1.7% for those receiving a CPI linked increase.

For those members who were previously members of the Credit Suisse First Boston Section of the Fund, the Rules provide for increases (to that part of the pension accrued after 5 April 1997) which are calculated as the increase in inflation subject to a maximum of 5% p.a. In respect of pensions accrued before 6 April 1997, the Company did not grant a discretionary increase on 1 April 2020. The Company considers, on an annual basis, whether to award discretionary pre 1997 pension increases for the Credit Suisse First Boston Section as per Rule 18.2. For members of the Credit Suisse RBP section, the Rules provide for increases of fixed 5% for both pre and post 6 April 1997 entitlement. For the purpose of the 1 April 2020 pension increases the applicable increase was 2.4% for those receiving an RPI linked increase and 1.7% for those receiving a CPI linked increase.

Furthermore, for Guaranteed Minimum Pensions (GMPs) in payment, the Fund pays an increase in line with inflation, up to a maximum of 3% p.a. on GMPs in payment which accrued after 5 April 1988. For the purpose of the 1 April 2020 pension increases, the applicable increase was 1.7%.

## 8. Increases to deferred benefits

During the year, deferred benefits were increased in accordance with statutory requirements.

## 9. Fund changes

There was a new Schedule of Contributions signed and certified in September 2020 and in January 2021 a further Schedule was signed and certified. See section 11 for further details.

As part of continued de-risking, the Trustee continued work on removing the Defined Benefit “DB” funds allocation from property investments. During the year, the Fund holdings in the Fidelity UK Real Estate UK Fund were fully redeemed. A partial redemption was carried out in early 2020 with the final redemption completed in October 2020.

## 10. Transfer Values

Members leaving service can transfer the value of their benefits under the Fund to another scheme that they join or to an insurance contract or personal pension. Transfer values do not include an allowance, where applicable, for any discretionary benefits which might be awarded.

During the year, at the request of the Company, the Trustee agreed to proceed with an Enhanced Transfer Value (ETV) liability management exercise ("ETV exercise") for in scope DB and Hybrid members to be offered a time limited enhanced DB pension transfer option to transfer their benefits under the Fund to another pension scheme. The ETV exercise is being carried out in two phases with Phase 1 offers issued in Q4 2020 and Phase 2 offers issued in Q1 2021 and was therefore ongoing at the end of the Fund year.

During the year the transfer values paid outside of the ETV exercise were equal to the cash equivalent of the members' leaving service rights. During the year transfer values paid as a result of members accepting the offer under the ETV exercise were enhanced in line with the basis agreed between the Trustee and the Company having taken actuarial advice.

## 11. Contributions

Until 31 March 2022, administrative expenses, PPF levies, and other statutory levies are to be paid by the Fund and the Fund will meet the cost of providing death in service benefits. The Company may pay additional contributions in respect of expenses for certain one-off projects from time to time as agreed between the Trustee and the Company. From 1 April 2022, the Company will pay such expense contributions as have been agreed between the Trustee and the Company.

In the DC sections, the Company makes an Age-Related Contribution, via a salary sacrifice arrangement, on behalf of each member. Age-Related Contributions are a percentage of Pensionable Salary based on the member's age as follows:

| | Percentage of pensionable salary |
|---|---|
| **Less than 40** | 10.5% |
| **40 or more but less than 50** | 13.0% |
| **50 or more but less than Normal Retirement Age** | 15.5% |

The Age-Related Contribution is the amount payable before members make pensions related decisions under the Company's My Benefits plan. If a member opts to make additional contributions via MyBenefits these Additional Employer Contributions are also paid by the Company via a salary sacrifice arrangement.

There was a new Schedule of Contributions signed and certified in September 2020. In January 2021 a further Schedule was signed and certified. The purpose of both of the new Schedules was to document agreement between the Company and the Trustee that contributions payable in respect of DC Plus members would be reduced by an amount representing the Independent Financial Adviser (IFA) costs met by the Company as part of the ETV exercise referred to in section 10. The offset to the DC Plus contributions was met from the surplus assets in the DB Section of the Fund.

## 12. Actuarial Liabilities Report

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles, a copy of which is available to Fund members on request.

## 13. Report on Actuarial Liabilities

Formal actuarial valuations of the Fund are carried out every three years, and the most recent completed valuation had an effective date of 31 December 2017. This valuation was completed on 28 March 2019, and has been used to prepare this report on the actuarial liabilities. At the date of signing this report the actuarial valuation due as at 31 December 2020 is in progress.

**Significant Technical Provisions assumptions as at 31 December 2017**

Method used – Projected Unit Method.

Discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition representing a prudent allowance for the expected out-performance of return-seeking assets held by the Fund. This allowance is 0.20% p.a.

Future Retail Prices Index (RPI) inflation: term dependent rates derived from gilt market implied break-even inflation (as derived from Bank of England data).

Future Consumer Prices Index (CPI) inflation: term dependent rates derived from the assumption for future RPI less an adjustment equal to 0.80% p.a.

Pension increases: derived from the term dependent rates for future RPI or CPI inflation allowing for the caps and floors on pension increases according to the provisions in the Fund’s rules and market derived volatilities.

Pay increases: general pay increases of 1.25% p.a. above the term dependent rates for the future CPI.

Mortality: for the period in retirement, SAPS S2 light tables with a 95% scaling factor and allowance for improvements in line with CMI 2017 core projections with a smoothing parameter of 8.0 and a long-term rate of improvement of 1.5% p.a. for men and women.

**Recovery plan following the valuation as at 31 December 2017**

The valuation as at 31 December 2017 revealed a Technical Provisions surplus of £329.6m which corresponded to a funding level of 117%. The Fund therefore does not have a current recovery plan.

**Review of Fund's financial prospects having regard to the actuarial report as at 31 December 2019**

The Fund’s overall funding position improved since the 31 December 2017 actuarial valuation, showing a surplus at 31 December 2019 of £412.7 million and a funding ratio of 122%.

This funding target to meet the promised benefits is known as the Fund’s Technical Provisions and is assessed on the basis that the Fund continues with support from the participating employers. At the end of December 2019, the assets were sufficient to cover 122% of the Technical Provisions. The participating employers continue to pay contributions to the Fund to provide benefits for current active members. From 1 April 2019 to 31 March 2022, the Fund's running costs (including provision of death in service pensions) will be met from the surplus assets.

The technical provisions funding position at 31 December 2019 improved since the actuarial valuation as at 31 December 2017. The technical provisions liabilities have decreased since 2017, due to the benefits paid out of the Fund although this was offset to some extent by changes in market conditions (in particular falling real gilt yields) which, in isolation, would have increased the liabilities. The value of the Fund's assets has increased slightly since the actuarial valuation as at 31 December 2017 with investment returns achieved more than offsetting the benefits paid out.

### Solvency position

The estimated solvency position has also improved since the actuarial valuation as at 31 December 2017. This has been affected by the same factors as the technical provisions, and has also benefited from improved pricing in the insurance market relative to gilts.

The estimated amount needed to ensure that all members' benefits could be paid in full by an insurance company if the Fund was wound up at 31 December 2017 and 31 December 2019 was £2,260.2 million and £2,127.3 million respectively, whereas the value of the assets at the same dates were £2,258.4 million and £2,286.3 million respectively, giving a funding position of 99.9% and 107% respectively. This assessment is referred to as the solvency funding position.

## 14. Actuarial events since 31 December 2019

Over the year to 31 December 2020, the technical provisions funding position has improved above that reported in the annual funding update as at 31 December 2019 revealing a surplus at 31 December 2020 of £503.0 million and a funding ratio of 125%. The solvency funding position has also improved over 2020. The estimated amount needed to ensure that all members' benefits could be paid in full by an insurance company if the Fund was wound up at 31 December 2020 was £2,262.8 million, whereas the value of the assets at the same date was £2,532.6 million, giving a solvency funding ratio of approximately 112%. This outcome is an estimate and subject to the full actuarial valuation currently being carried out as at 31 December 2020.

There was a new Schedule of Contributions signed and certified in September 2020. In January 2021 a further Schedule was signed and certified. See section 11 for further details.

## 15. Employer related investments

The investments of the Fund are invested in compliance with the Pensions Act 1995. The only investments deemed to be employer-related are as follows:

- Some of the Fund's defined contribution pooled investment funds may invest in Credit Suisse securities.

The Trustee actively reviews this in order to ensure that the level of employer-related investment is below 5% of the net assets of the Fund. As at 31 December 2020 the Trustee estimates that self-investment amounted to 0.02% (2019: 0.03%).

## 16. Governance and Risk Management

The Trustee has in place a business plan which sets out its objectives for all areas of activity. This, together with a list of the main priorities and a timetable for completion, helps the Trustee run the Fund efficiently and serves as a useful reference document.

The Trustee attaches a high priority to risk management and has a process for managing risk. This includes an integrated risk management framework that sets out the key risks to which the Fund is subject to, along with the key controls in place to mitigate these risks, working alongside a risk register. The risk framework is undergoing a full review during 2021 to ensure the risk assessment process and reporting format is efficient and remains robust. Credit Suisse's Internal Audit team periodically assesses certain aspects of the Fund's operations.

The Trustee has established and maintains a Conflicts of Interest Policy and Register. It is the responsibility of each individual Trustee Director to identify any potential instances where their personal, business or other interests might come into conflict with their duties as a director of the Trustee Board. Any such, potential conflict is brought to the attention of the Chairman of the Trustee Board and the COO, for consideration and guidance to the individual Trustee Director and agreement of an approach to managing the potential conflict of interest, if necessary in consultation with the Company.

## 17. Further Information

Further information about the Fund is available, on request, to members and prospective members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Fund, the Rules and a copy of the latest actuarial valuation/report and the Trustee's Statement of Investment Principles and Statement of Funding Principles ("SIP") can be inspected. Please contact the COO at the address on page 2. A copy of the SIP can be found at https://www.fidelitypensions.co.uk/costs-charges/CSGP.

Members can request details of the amount of their current transfer value. Such requests cannot, however, be made more frequently than once a year, without incurring a charge.

If members have any queries concerning the Fund in general or their personal pension position, or wish to obtain further information, they should contact the Fund Administrator at the address on page 2, who will also be able to provide further copies of the Fund booklet and answer any queries about entitlements to benefits. If members have any complaints in relation to the Fund, they should in the first instance contact the Fund Administrator.

Matters that cannot be addressed by the Fund Administrator should be directed to the COO at the address on page 2, as should any communication for the Trustee.

Please see page 86 and 87 for pertinent contact details including the Pensions Ombudsman and the Money and Pensions Service.

## 18. Data Protection

The Trustee, the Company and the Fund's advisers and service providers each have a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Fund in accordance with the General Data Protection Regulation (GDPR).

Details of how the Trustee uses member data can be found in the Trustee's Privacy Notice which is available from the Fund Administrator (see page 2 for contact details).

## 19. GMP Equalisation

In 2018 the High Court ruled that the Lloyds Banking Group Pension Schemes must equalise benefits between females and males who have GMP because of contracted out benefits. This ruling is not expected to result in a material GMP equalisation liability arising for the Fund. In 2020 the High Court ruled that transfers out since 17 May 1990 must also be equalised for any impact of GMP. This further ruling is not expected to result in any additional liability becoming material. Further information can be found in note 26 of the financial statements.

## 20. Covid-19

The Covid-19 viral outbreak has spread across the world, resulting in the World Health Organisation declaring a global pandemic in early March 2020. The Covid-19 pandemic has resulted in a significant impact on the global economy and financial and stock markets alike.

Given that the Fund has a strong funding position with a low level of investment risk (as the investment strategy is de-risked) the funding position has not changed significantly. In line with established practice, the Trustee continues to monitor the financial strength of the Company and, as at 31 March 2021, the Fund continued to have a funding level above 100% on a solvency basis and was 110% hedged on both an inflation rate and interest rate basis relative to the Technical Provisions (liabilities). The Trustee monitors the funding level and the solvency funding remains above 100%.

The Trustee maintains a Register of Covid-19 Business Continuity Plan (BCP) risks (which cover operational as well as financial risks). The Trustee currently receives a monthly BCP update from its Administrator and has no concerns with the operational effectiveness of the Administrator to date.

The extent of the impact on the Fund's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

The Trustee has continued to monitor the impact on the Fund’s assets and liabilities. Despite volatility in markets, the funding position overall has remained stable in Q1 2021.

## 21. Investment Report

All investments have been managed during the year under review by the investment providers listed on page 3. There is a degree of delegation of responsibility for investment decisions. The Trustee is responsible for the investment strategy of the Fund and this has been agreed after taking appropriate advice. Subject to complying with the agreed strategy and investment mandates the day to day management of the Fund's asset portfolio is the responsibility of the individual manager.

Further information on investment issues is detailed in the Statement of Investment Principles prepared by the Trustee in accordance with the requirements of the Pensions Act 1995. The Trustee has obtained written advice on the preparation of the Statement of Investment Principles from its investment consultant, Lane Clark & Peacock LLP ("LCP''). A copy of this statement is available on request, please contact the Chief Operating Officer to the Trustee at the address on page 2. The statement can also be found on the Fund website: https://www.mycspensionplace.co.uk/document-library/ as well as on pages 70 to 85 of this report.

For the purpose of this report the investment information has been disclosed under Defined Benefit and Defined Contribution Sections as appropriate.

New regulations, which came into force with effect from 1 October 2020, changed the way in which trustees of pension schemes must document in their SIP how they govern the management of their arrangements with their investment managers, in particular concerning stewardship matters and cost transparency. During the year, and following advice from their investment advisor, the Trustee reviewed and updated its SIP in advance of October 2020 to ensure that it is compliant with these new regulations. In accordance with the Disclosure Regulations Schedule 3, 30(d)(iv) Investment Regulations 2(3)(d), from 1 October 2020 the Trustee has set out in its SIP its policies in relation to the following matters;

i. how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub paragraph b;

ii. how that arrangement incentivises the asset manager to make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long term;

iii. how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies mentioned in sub paragraph b of the Investment Regulations;

iv. how the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and

v. the duration of the arrangement with the asset manager.

The Trustee's Implementation Statement, which sets out, amongst other things, voting and engagement information undertaken by the Scheme's investment managers for the year ended 31 December 2020, is set out on pages 88 to 99, and forms part of the Trustee's Report.

### Approach to social, environmental and ethical investing

The Trustee has considered how environmental, social, governance ("ESG") and ethical matters should be taken into account in the selection, retention and realisation of investments since it recognises that these factors can be relevant to investment performance and are therefore considered as financial factors.

The Trustee considers it is necessary to act in the best financial interests of Fund members and therefore it expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations), taking into account the nature and time horizon of the investments. It seeks to appoint managers, with the assistance of its Investment Advisor, that have appropriate skills and processes to do this, and from time to time review how its managers are taking account of these issues in practice.

The Trustee cannot usually directly influence investment managers' policies on ESG and ethical factors where assets are held in pooled funds; this is due to the nature of these investments. The Trustee seeks to encourage its managers to improve their practices where appropriate through engaging with them on these issues.

The Trustee does not take into account any non-financial factors (i.e. factors not motivated by considerations of financial risk and return) when making investment decisions. The Trustee is satisfied that it has good reason to think Fund members share its view and that there is no risk of material financial detriment to the Fund.

Within the DC Section, the Trustee offers members an ethical fund and a Shariah-compliant fund, amongst others, for members to invest in if they choose.

### Approach to voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects its investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

## 2. Defined Benefit Section

The primary objective for the DB Section is to ensure that the Fund should be able to meet benefit payments as they fall due. There are a number of secondary objectives the Trustee also considers, full details of which can be found in the Statement of Investment Principles. The Trustee, with the help of its advisers and in consultation with the employer, has reviewed the investment strategy, taking into account the objectives.

As at 31 December 2020, the Fund's strategic asset allocation is as follows:

| Asset Class | Strategic Allocation | Actual Allocation |
|---|---|---|
| Bonds | 24.0% | 23.8% |
| Liability hedging portfolio (inc cash) | 76.0% | 76.2% |

The Fund's asset allocation as at 31 December 2020 deviated marginally from the strategic allocation due to the impact of market movements.

The deviation of the actual allocation from the strategic allocation is reviewed by the Trustee Board on a quarterly basis.

Over the year to 31 December 2020, the investment managers appointed to manage the assets of the Defined Benefit Sections were as shown in the table below. The Fidelity holding was fully redeemed in 2020.

| Manager | Asset Class | Holding % 31/12/2020 | Holding % 31/12/2019 | Benchmark Index |
|---|---|---|---|---|
| PIMCO | Bonds | **7.9** | 8.7 | 30% UK Gilt 4.75% 2030, 70% US Treasury 5.375% 2031 |
| Insight | Bonds | **7.9** | 8.3 | Blended index comprised of 4 government bonds weighted to broadly match the duration and currency profile of the sub-portfolio |
| M&G | Bonds | **8.0** | 8.4 | 32% UK Gilt 6% 2028, 60% UK Gilt 4.75% 2030, 2% US Treasury 5.375% 2031, 6% US Treasury 4.5% 2036 |
| Fidelity | Alternatives | **-** | 1.4 | IPD UK PFI – All balanced Property Funds Index |
| Insight | Liability hedging portfolio | **76.2** | 73.2 | Proxy Liability Benchmark[1] |
| **Total DB Sections** | | **100.0** | 100.0 | |

[1] Proxy liability benchmark defined by a set of notionals intended to represent about 100% of the Fund's accrued liabilities valued on a Technical Provision basis plus the return on a portfolio of USD, EUR and GBP interest rate swaps to hedge the overseas interest rate risk in the credit portfolio.

Each manager has daily liquidity.

The Investment Committee receives performance reports for the assets managed by each investment manager monthly.

**Investment performance**

Over the year to 31 December 2020, the overall return (for the Defined Benefit Sections' assets) was 13.7% according to the calculations conducted by LCP, in line with the target benchmark of 13.7%. The three-year return was 7.9% compared with a benchmark of 7.8%, and the five-year return was 12.2% compared with a benchmark of 11.8%.

A review of the investment performance for each of the mangers in the Defined Benefit Sections, over the year, three-year and five-year periods to 31 December 2020, is shown below. All returns are stated net of fees.

| Manager | Asset Class | 1 year % | 1 year target % | 3 years % p.a. | 3 years target % p.a. | 5 years % p.a. | 5 years target % p.a. |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| PIMCO | Global Credit | 8.7 | 7.3 | 7.3 | 6.0 | - | - |
| Insight | Global Credit | 9.0 | 11.4 | 6.6 | 6.9 | - | - |
| M&G | Global Credit | 8.5 | 6.2 | 5.8 | 4.7 | - | - |
| Insight | Liability Driven Investment | 16.9 | 16.7 | 9.3 | 9.1 | 18.8 | 18.2 |

Inception dates are as follows: Insight LDI 31 July 2012; Global Credit portfolios 10 October 2017

## 3. Defined Contribution Sections

Members' investments are represented by units in funds as chosen by the member. As at 31 December 2020, the investment managers appointed to manage the assets of the DC Section, together with their benchmarks and investment objectives, were as follows:

**BlackRock**

| Fund | Benchmark |
|---|---|
| European Equity | FTSE All World Developed Europe (ex UK) Index |
| Global Equity (50:50) | 50% FTSE All Share, 17% FTSE Developed Europe ex UK, 17% FTSE All World USA, 8% FTSE All World Japan, 8% FTSE All World Developed Asia Pacific ex Japan |
| Japanese Equity | FTSE All World Japan Index |
| Over 5 Year UK Index Linked Gilt | FTSE Actuaries UK Index-linked Over 5 Years Index |
| Over 15 Year Gilt | FTSE Actuaries UK Gilts Over 15 Years Index |
| Pacific Rim Equity | FTSE All World Developed Asia Pacific ex Japan |
| UK Equity | FTSE All Share Index |
| US Equity | FTSE All World USA Index |
| Cash Fund | 7 DAY Sterling LIBID |

The investment target for all BlackRock funds is to perform in line with the specified benchmark.

**Threadneedle**

| Fund | Benchmark |
|---|---|
| Property Fund | MSCI/AREF All Balanced Property Fund Index |

The investment target for the Threadneedle Pensions Property Fund is to outperform the benchmark.

### Fidelity

| Fund | Benchmark |
|---|---|
| Corporate Bond | Merrill Lynch Eurosterling Bond Index |
| Passive Multi Asset Fund | -60% FTSE Custom Composite comprising of: 50% FTSE All Share, 17% FTSE Developed Europe ex UK, 17% FTSE All World USA, 8% FTSE All World Japan, 8% FTSE All World Dev Asia Pacific ex Japan<br>-10% FTSE Actuaries UK Conventional Gilts Over 15 Years<br>-10% FTSE Actuaries UK Index Linked Gilts Over 5 Years Index<br>-10% iBoxx Sterling Non Gilt index<br>-10% JP Morgan Global (ex-UK) Traded Bond Index. |

The target for the funds managed by Fidelity is to outperform their respective benchmarks.

### Legal & General

| Fund | Benchmark |
|---|---|
| Global Emerging Markets Equity | IFCI Emerging Markets Investable Index |
| Overseas Bond | JP Morgan Global Government (ex UK) Traded Bond Index |
| UK Ethical Fund | FTSE4Good UK Equity Index |

The investment target for all L&G funds is to perform in line with the specified benchmark.

### HSBC

| Fund | Benchmark |
|---|---|
| Islamic Fund | DJ Islamic Market Titan 100 |

The investment target for the HSBC fund is to perform in line with the specified benchmark.

### Investment performance

A review of the investment performance for each of the funds available in the DC Section, over the year, three year and five year periods to 31 December 2020, is shown below. All returns are stated net of fees.

| | 1 year % | 1 year target % | 3 years % p.a. | 3 years target % p.a. | 5 years % p.a. | 5 years target % p.a. | Market Value £000 | % of total |
|---|---|---|---|---|---|---|---|---|
| **BlackRock** | | | | | | | | |
| European Equity | 8.9 | 9.2 | 5.7 | 6.0 | 10.5 | 10.7 | 15,978 | 1.5 |
| Global Equity (50:50) | 1.2 | 1.4 | 3.9 | 3.9 | 9.2 | 9.3 | 788,853 | 73.2 |
| Japanese Equity | 11.4 | 10.8 | 5.9 | 5.4 | 10.8 | 10.6 | 6,222 | 0.6 |
| Pacific Rim Equity | 14.4 | 14.5 | 5.6 | 5.7 | 13.2 | 13.3 | 14,192 | 1.3 |
| UK Equity | -9.7 | -9.5 | -0.7 | -0.9 | 4.9 | 5.1 | 15,165 | 1.4 |
| US Equity | 16.1 | 16.3 | 13.7 | 13.9 | 17.1 | 17.1 | 37,937 | 3.5 |
| Over 5 Year UK Index Linked Gilt | 12.7 | 12.8 | 6.1 | 6.3 | 9.4 | 9.5 | 4,378 | 0.4 |
| Over 15 Year Gilt Index | 14.3 | 14.3 | 8.5 | 8.8 | 9.4 | 9.5 | 9,443 | 0.9 |
| Cash Fund | 0.1 | 0.1 | 0.4 | 0.4 | 0.3 | 0.3 | 44,402 | 4.1 |
| | | | | | | | **936,570** | **86.9** |
| **Fidelity** | | | | | | | | |
| Corporate Bond | 9.4 | 8.0 | 5.6 | 5.2 | 6.6 | 6.1 | 4,632 | 0.4 |
| Passive Multi Asset Fund | 6.1 | 6.4 | 5.3 | 5.5 | 9.0 | 9.2 | 114,233 | 10.6 |
| | | | | | | | **118,865** | **11.0** |
| **Legal & General** | | | | | | | | |
| Global Emerging Markets Equity | 13.3 | 14.0 | 4.8 | 5.6 | 13.8 | 14.4 | 12,019 | 1.1 |
| Overseas Bond Index | 5.8 | 6.1 | 4.2 | 4.5 | 6.0 | 6.2 | 1,875 | 0.2 |
| Ethical UK Equity Index Fund | -11.2 | -10.9 | -0.8 | -0.2 | 1.9 | 3.6 | 1,759 | 0.2 |
| | | | | | | | **15,653** | **1.5** |
| **HSBC** | | | | | | | | |
| Islamic Fund | 23.5 | 23.7 | 16.8 | 17.6 | 18.0 | 18.6 | 4,746 | 0.4 |
| | | | | | | | **4,746** | **0.4** |
| **Threadneedle Investments** | | | | | | | | |
| Property Fund | -2.0 | -1.0 | -0.7 | 2.3 | 2.1 | 3.9 | 1,700 | 0.2 |
| | | | | | | | **1,700** | **0.2** |
| **Total Assets** | | | | | | | **1,077,534** | **100** |

### Notes to Tables

All the performance data has been sourced from Fidelity and is shown net of the annual management charges levied by the investment managers and the administration charges levied by Fidelity. Values may not sum due to rounding.

All the Defined Contribution funds have daily liquidity, although the Threadneedle Property Fund may impose redemption restrictions in periods of market stress and as such suspended trading on the 20 March 2020 due to the Covid-19 pandemic. The Fund was reopened in September 2020.

### Custody of assets

The Trustee is responsible for ensuring the Fund assets are securely held, and it reviews the custodian arrangements from time to time.

Northern Trust is the custodian of the assets invested under the Defined Benefit Sections. Investments in the Defined Contribution Sections are represented by units in unit-linked insured funds and the Trustee does not directly own the underlying investments.

DC benefits have generally been secured by unit-linked insurance policies provided by FIL Life Insurance Limited amounting to £1,078m as at 31 December 2020. Of this amount £992m is backed by securities directly held by FIL Life and £86m by unit-linked reinsurance contracts with third party insurers in accordance with normal market practice. The Trustee has been advised that such reinsurance contracts lie outside the scope of the Financial Services Compensation Scheme (“FSCS”) and, in the event of failure of the reinsurer, would not be eligible for FSCS compensation. The Trustee has confirmed that FIL Life holds security over sufficient assets of the reinsurers to cover the value of these contracts, that the reinsurers’ exposure to businesses other than such unit-linked insurance is insignificant. The Trustee, having taken investment and legal advice, has accordingly concluded that the use of reinsurance contracts is a normal market practice, that the risk of default is minimal and that DC members’ benefits are adequately protected. However, the Trustee notes that, since no such UK reinsurer has ever failed, these protections have not been tested in court.

All of the investment managers listed in the legal and administrative information are regulated by the Financial Conduct Authority.

# Statement of Trustee's responsibilities

**The Trustee's responsibilities in respect of the financial statements**

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Fund in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the mycspensionplace website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**The Trustee's responsibilities in respect of contributions**

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Fund by or on behalf of employers and the active members of the Fund and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Fund in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

**This report has been approved by all the Trustee Directors and is signed on their behalf by**

Glenn Wellman

Date: 15-Jul-2021 | 17:06 BST

# DC Governance Statement, covering the period from 1 January 2020 to 31 December 2020

## 1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements to help members achieve a good outcome from their pension savings. This statement is provided to meet the requirements of regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 and the Pension Regulator's guidance on Chair's statements published in September 2018. The Trustee of the Credit Suisse Group (UK) Pension Fund (the "Fund") is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the "default arrangement" and other funds members can select or have assets in, such as "legacy" funds);
- the requirements for processing core financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding (TKU).

This DC Governance Statement (the 'Statement') relates to DC Plus and AVC benefits only and covers the period from 1 January 2020 to 31 December 2020 (the reporting period).

A copy of this Statement, together with the latest Statement of Investment Principles (SIP)is available for members to view here: www.fidelitypensions.co.uk/costs-charges/CSGP

## 2. Default arrangement

The Fund is used as a Qualifying Scheme for auto-enrolment purposes by the Employer.

As noted later, the Fund offers three Lifestyling strategies plus a limited number of funds available for self-selection including funds considered appropriate for members wishing to invest consistently with Islamic or broadly ethical principles. The three Lifestyling strategies are intended respectively for members intending to transfer the value at retirement towards drawdown (the default), annuity purchase or cash.

**CSPF Drawdown Lifestyle Strategy (main default arrangement)**

Members of the Fund who do not choose an investment option are placed into the CSPF Drawdown Lifestyle Strategy, (the "default arrangement"). When deciding on the Fund's investment strategy, the Trustee recognises that most members do not make active investment decisions and instead invest in the default arrangement. After taking advice, and analysing the actual choices made by retirees to date, the Trustee decided to make the default arrangement a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. In the case of our member population, the Trustee determined that most would be expected to take the maximum tax free lump sum and to draw benefits thereafter by means of drawdown from a portfolio including a significant proportion of return-seeking assets.

The Trustee is responsible for the Fund's investment governance, which includes setting and monitoring the investment strategy for the Fund's default arrangement.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Fund's SIP covering the default arrangement is attached to this Statement.

The aims and objectives of the default arrangement, as stated in the SIP, is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually towards a somewhat lower risk investment portfolio as members near retirement.

The default arrangement was not formally reviewed during the period covered by this Statement. The last review was completed in August 2018. The Trustee regularly monitors the performance of the default arrangement and will formally review both this and the other investment arrangements at least every three years (the next review is intended to take place in Q2 2021) or immediately following any significant change in investment policy or the Fund's member profile. The strategy review will assess member demographics, the appropriateness of the current default arrangement, alternative lifestyle strategies and self-select funds, as well as consider developments in the DC investment market.

In addition to the strategy review the Trustee also reviews the performance of each of the Lifestyling strategies, including the default arrangement against their aims, objectives and expected risk profiles on a quarterly basis. This review includes analysis of fund performance and member activity to check that the risk and return levels meet expectations. The reviews that took place during the reporting period concluded that the default arrangement and each alternative Lifestyling strategies were all performing essentially as expected.

**BlackRock Money Market Fund (deemed a temporary default)**

The Threadneedle Property Fund was temporarily suspended from trading between 20 March 2020 and 16 September 2020 as a result of the Covid-19 pandemic. Uncertainty clauses were placed on the underlying property valuations resulting in the vast majority of property funds suspending. Between these dates, members contributions were redirected to the BlackRock Money Market Fund (formerly named the BlackRock Cash Fund). The suspension was lifted on 17 September 2020, in line with many other property managers who reopened their funds during September and October 2020.

In October 2020, Fidelity wrote to members informing them that the suspension of the Threadneedle Property Fund was lifted. If members wanted to re-direct contributions back to the Threadneedle Property Fund and / or re-direct the accrued assets that had built up in the BlackRock Money Market Fund back to the Threadneedle Property Fund, they had to make an explicit decision to do so. Monies were not automatically moved back to the Threadneedle Property Fund when the suspension was lifted. The BlackRock Money Market Fund will remain a default until such a point that it no longer contains defaulted assets. It continued to hold defaulted assets at the Fund year end.

## 3. Requirements for processing core financial transactions

The Trustee has a specific duty to ensure that core financial transactions (which includes the investment of contributions, processing of transfers of member assets into and out of the Fund, switches between different investments within the Fund and payments in respect of members/beneficiaries) relating to the Fund are processed promptly and accurately. This is done by receiving and reviewing regular quarterly reporting provided by the Fund's administrator, Fidelity, which reports performance against the service level agreement (SLA) in place. The quarterly administration reports include the total number of transactions completed and the percentage of transactions completed within SLA.

During the reporting period, the Trustee monitoring of the service provided by Fidelity has included:

- Review of quarterly administration reports provided by Fidelity. Fidelity's quarterly reports have detailed the administration performance and level of compliance with the service level agreement. Specifically, this includes a breakdown of service standard achievement for member-level activity including:
    - retirement and death settlement cases;
    - transfers in and out;
    - comments and explanations of any service standard issues.

  During the reporting period, SLAs were met across these activities in 99.9% of cases. As part of the reporting process, the Chief Operating Officer ("COO") to the Fund has received additional detail and explanations where transactions were not completed within the agreed SLAs and any exceptions were discussed with the Operations Working Group Trustees at quarterly working group calls, which include attendance by the administrator.

- Fund-level core financial transactions such as investing contributions and lifestyle switches and member-level investment switches are processed using 'straight-through processing'. These processes are triggered automatically and service standard achievement is confirmed via Fidelity on an exceptions basis. Fidelity has provided assurances that these scheme-level core financial transactions including automated processes have been processed accurately and timely over the reporting period and the COO is seeking evidence-led reporting of this for future periods.

- Reviewing the accuracy of the Fund's common and conditional data on a regular basis helps provide reassurance that data is complete and that the allocation of contributions and payment of benefits are being made accurately, at the right time and to/for the right beneficiaries. Fidelity undertakes data assessments on the DC Plus data quarterly and the score as at February 2021 was 96% for common data and 93% for scheme specific data. Specific action is being taken by Fidelity to improve contact (e.g. home address, email address) data scores.

- The administrator also monitors the quality of the work undertaken by its administration teams through an internal but operationally independent Quality Control team who ensure that the processing teams operate in a controlled environment by checking calculations and monitoring the existing procedures and controls.

- A site visit by the Operations Working Group Trustees, Credit Suisse UK Pensions Director and the COO to Fidelity's offices on 3 March 2020 which included interrogation of their procedures, checks and controls for ensuring accuracy of delivery and quality control processes.

- Covid-19 – From 17 March 2020, the COO received 2-weekly business continuity updates from the administrator with regards to the impact of Covid-19 which covered the following key areas: staff and sickness levels, working arrangements, service levels, project updates and Fidelity's communications with members. These were relaxed to monthly from August. The Trustee is pleased to note that the Fidelity has maintained effective business continuity arrangements throughout the reporting period, with the administration teams working mostly remotely from home using secure technology and that service level performance has remained strong relative to agreed SLAs.

Based on the monitoring described and the information provided by Fidelity, the Trustees are satisfied that the Fund's core financial transactions have been processed promptly and accurately during the reporting period for DC Plus benefits.

## 4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include any costs, e.g. administration and investment costs, since members incur these costs.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Fund's investment managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Fidelity, the Fund's platform provider, and by Prudential, Aegon, Phoenix Life, Utmost Life and Pensions ("Utmost") and Standard Life, who were the Fund's AVC providers during the reporting period. It should be noted that there are no remaining assets in the Fund invested with Aegon or Utmost as at January 2021. The Utmost assets were transferred to Fidelity in June 2020 with the exception of a small holding (<1%) in the Utmost property fund which was transferred in January 2021 (due to the property fund being suspended during Q2 2020). The Trustee notes that the suspension of the Utmost property fund was in line with the approach taken by most property fund managers at the time, given concerns regarding the veracity of underlying property valuations.

The Aegon assets were transferred, in entirety, in January 2021.

The Trustee has obtained charges and transaction cost data for most of the funds for the reporting period (1 January 2020 to 31 December 2020) with the exceptions being:

- At the time of writing, Prudential has been unable to provide transaction costs for the 1-year period to 31 December 2020. As such, Prudential has provided transaction cost information for the 1-year period to 30 September 2020 for most funds and the 1-year period to 30 June 2020 for one fund. The Trustee (via its investment advisor) continues to follow-up with Prudential for this information.

- The TER provided by Phoenix Life is materially different to what was provided last year. The Trustee (via its investment advisor) has queried this with Phoenix Life. At the time of writing, a reply has not been provided.

- The TER and transaction cost provided by Utmost for the Property Fund is materially different to what was provided for the previous year. The Trustee (via its investment adviser) has queried this with Utmost. At the time of writing, a reply has not been provided.

The Trustee (via its DC investment advisor) continues to press Prudential, Phoenix Life and Utmost to remedy any outstanding disclosure deficiencies.

When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term, the Trustee has shown any negative figure as zero.

### 4.1. Default arrangements

The main default arrangement is the CSPF Drawdown Lifestyle Strategy. The default arrangement has been set up as a lifestyle, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund(s) they are invested.

For the reporting period covered by this Statement, annualised charges and transaction costs are set out in the table below.

**CSPF Drawdown Lifestyle Strategy charges and transaction costs**

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| 10 years or more to retirement | 0.14 | 0.03 |
| 5 years to retirement | 0.15 | 0.02 |
| At retirement | 0.18 | 0.02 |

As noted on page 23, the BlackRock Money Market Fund is currently a temporary default.

**BlackRock Money Market Fund**

| Manager – Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| BlackRock Money Market Fund | 0.24 | 0.00 |

### 4.2. Self-select options

In addition to the default arrangement, members also have the option to invest in two other Lifestyle strategies, targeting annuity purchase and cash withdrawal and several other self-select funds. The annual charges for these Lifestyle strategies during the period covered by this statement are set out in the tables below.

**CSPF Cash Lifestyle Strategy charges and transaction costs**

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| 10 years or more to retirement | 0.14 | 0.03 |
| 5 years to retirement | 0.16 | 0.02 |
| At retirement | 0.24 | 0.00 |

**CSPF Annuity Lifestyle Strategy charges and transaction costs**

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| 10 years or more to retirement | 0.14 | 0.03 |
| 5 years to retirement | 0.15 | 0.02 |
| At retirement | 0.17 | 0.00 |

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by the reporting period are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

### Self-select fund charges and transaction costs

| Manager – Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| **BlackRock Global 50/50 Index Fund** | **0.14** | **0.03** |
| **Passive Multi Asset Fund** | **0.16** | **0.02** |
| **BlackRock Money Market Fund** | **0.24** | **0.00** |
| BlackRock Over 15 Year Gilts Index Fund | 0.14 | 0.00[1] |
| BlackRock European Equity Index Fund | 0.19 | 0.00 |
| BlackRock Japanese Equity Index Fund | 0.18 | 0.00 |
| BlackRock Over 5 Years Index Linked Gilt Index Fund | 0.14 | 0.00 |
| BlackRock Pacific Rim Equity Index Fund | 0.16 | 0.03 |
| BlackRock UK Equity Index Fund | 0.15 | 0.05 |
| BlackRock US Equity Index Fund | 0.17 | 0.04 |
| HSBC Islamic Fund | 0.51 | 0.16 |
| L&G Global Emerging Markets Index Fund | 0.51 | 0.07 |
| L&G Overseas Bond Fund | 0.26 | 0.00[1] |
| L&G Ethical UK Equity Index Fund | 0.35 | 0.00[1] |
| Fidelity Corporate Bond Fund | 0.40 | 0.00[1] |
| Threadneedle Property Fund | 0.96 | 0.00[1] |

[1]Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term, the Trustee has shown any negative figure as zero in the Statement.

### 4.3. Additional Voluntary Contribution (AVC) policies

The charges and transaction costs for the Fund's AVC arrangements which members paid for during the reporting period (except where otherwise stated below) are detailed in the tables below.

#### Prudential AVC charges and transaction costs

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| Prudential With-Profits Cash Accumulation Fund | 0.98[1] | 0.11[2] |
| Prudential Discretionary | 0.78 | 0.17[3,4] |
| Prudential Global Equity | 0.76 | 0.08[3,4] |
| Prudential International Equity | 0.76 | 0.23[3,4] |
| Prudential UK Property | 1.28 | 0.00[3,4] |
| Prudential Deposit Fund | 0.00[5] | 0.00[4] |

[1]The fees for the Prudential With-Profits Cash Accumulation Fund depend on the performance of the Fund. Based on current assumptions, Prudential estimates that future investment returns from the With-Profits Fund will be 5% pa and hence, result in the above mentioned TER.

[2]At the time of writing, Prudential has been unable to provide transaction costs to 31 December 2020. Hence, we have included transaction costs for the Prudential With-Profits Cash Accumulation Fund for the period between 1 July 2019 to 30 June 2020.

[3]Prudential has confirmed that the increase in transaction costs over the year compared to those provided in 2019, is due to Prudential using intra-day prices (where available) rather than defaulting to opening day prices as they did previously. Prudential has also informed us that it believes the low transaction costs for the Prudential UK Property Fund are due to the fund suspension.

[4]At the time of writing, Prudential has been unable to provide transaction costs to 31 December 2020. Hence, we have included transaction costs for the period between 1 October 2019 and 30 September 2020.

[5]The Prudential Deposit Fund has no explicit charges.

#### Aegon AVC charges and transaction costs

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| Mixed Fund | 1.01 | 0.28 |

#### Phoenix Life AVC charges and transaction costs

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| Deposit Administration Fund | TBC[1] | 0.24 |

[1]The TER provided by Phoenix Life for the Deposit Administration Fund is materially different to what was provided for the previous year. The Trustee (via its investment adviser) has queried this with Phoenix Life.

### Utmost AVC charges and transaction costs

| Fund name[1] | TER (%) | Transaction costs (%) |
|---|---|---|
| Secure Cash Fund | 0.50[1,2] | 0.00[1,2] |
| Money Market Fund | 0.50[2] | 0.00[2] |
| UK Government Bond Fund | 0.50[2] | 0.04[2] |
| Managed Fund | 0.75[2] | 0.12[2] |
| UK Equity Fund | 0.75[2] | 0.17[2] |
| UK FTSE All Share Tracker Fund | 0.50[2] | 0.02[2] |
| Asia Pacific Equity Fund | 0.75[2] | 0.15[2] |
| European Equity Fund | 0.75[2] | 0.15[2] |
| Global Equity Fund | 0.75[2] | 0.10[2] |
| US Equity Fund | 0.75[2] | 0.07[2] |
| Funds of Investment Trusts | 0.75[2] | 0.66[2] |
| Property Fund | TBC[3] | TBC[3] |

[1]We understand that a fee would only have been deducted to the extent that it would not reduce the capital value of a member's pot as at 1 January 2020. Utmost has confirmed that the Secure Cash Fund had marginal transaction costs less than 0.01% over the year to 30 June 2020.

[2]All of the assets held in the Utmost Funds (excluding the Property Fund, see footnote 3) were transferred to Fidelity in June 2020. For this reason, Utmost has provided TERs and transaction costs for the 1-year period to 30 June 2020.

[3]The TER and transaction cost provided by Utmost for the Property Fund is materially different to what was provided for the previous year. The Trustee (via its investment adviser) has queried this with Utmost.

### Standard Life AVC charges and transaction costs

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| Pension Millennium With-Profits Fund | 1.35[1,2] | 0.19[2] |
| Pension With-Profits Fund | 0.75[1] | 0.14[2] |

[1]For With-Profits investments there is no explicit fund management charge or additional expenses. However, Standard Life makes deductions for costs and charges, including the cost of guarantees provided by With-Profits business. These deductions, which may vary, may affect the proceeds received although they will not reduce any guaranteed benefits. At the time of writing, Standard Life has confirmed that the discount is 0.40%.

[2]Please note that the TER included in last year's Statement only included the cost of guarantee. The TER noted this year includes the annual management charge, cost of guarantee and the Fund discount of 0.40%.

### 4.4. Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by Fidelity to 31 December 2020, subject to a floor of zero (so the illustration does not assume a negative cost over the long term).
- The illustration is shown for the main default arrangement (CSPF Drawdown Lifestyle Strategy) since this is the arrangement with the most members invested in it, as well as four funds from the Fund's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – there are many funds that could be shown but the L&G Global Emerging Markets Index Fund has been selected for the illustration;
  - the fund with the lowest before costs expected return – this is the BlackRock Money Market Fund;
  - the fund with highest annual member borne costs – this is the Threadneedle Property Fund; and
  - the fund with lowest annual member borne costs – whilst more than one fund could have been shown, the BlackRock Over 15 Year Gilts Index Fund has been selected for this illustration.

| | Default option | | L&G Global Emerging Markets Index Fund | | BlackRock Money Market Fund | | Threadneedle Property Fund | | BlackRock Over 15 Year Gilts Index Fund | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years invested | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £103,900 | £103,800 | £103,900 | £103,400 | £100,900 | £100,700 | £103,900 | £103,000 | £100,300 | £100,100 |
| 3 | £109,200 | £108,700 | £109,200 | £107,400 | £99,900 | £99,200 | £109,200 | £106,200 | £98,100 | £97,700 |
| 5 | £114,700 | £113,800 | £114,700 | £111,500 | £98,900 | £97,700 | £114,700 | £109,500 | £95,900 | £95,300 |
| 10 | £129,800 | £127,700 | £129,800 | £122,700 | £96,400 | £94,200 | £129,800 | £118,200 | £90,800 | £89,500 |
| 15 | £146,900 | £143,200 | £146,900 | £135,000 | £94,100 | £90,800 | £146,900 | £127,600 | £85,900 | £84,100 |
| 20 | £166,200 | £160,700 | £166,200 | £148,500 | £91,700 | £87,500 | £166,200 | £137,800 | £81,300 | £79,000 |
| 25 | £188,000 | £180,300 | £188,000 | £163,300 | £89,500 | £84,300 | £188,000 | £148,800 | £76,900 | £74,200 |
| 30 | £212,700 | £202,400 | £212,700 | £179,700 | £87,200 | £81,300 | £212,700 | £160,600 | £72,800 | £69,700 |
| 35 | £235,500 | £222,100 | £240,600 | £197,600 | £85,100 | £78,300 | £240,600 | £173,400 | £68,900 | £65,500 |
| 40 | £248,500 | £232,400 | £272,300 | £217,400 | £83,000 | £75,500 | £272,300 | £187,200 | £65,100 | £61,500 |

### Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

- Annual inflation is assumed to be 2.5%.
- The starting pot size used is £101,400 as this is the average member fund value (calculated using data provided as at 28 February 2021).
- The projection is for 40 years, being the approximate duration that the youngest Fund member has until they reach the Fund's Normal Pension Age.
- As approximately 94% of members are deferred and the Fund is closed to new entrants, no contributions have been assumed.
- The projected annual returns (before costs) used are as follows:
  - CSPF Drawdown Lifestyle Strategy: 2.5% above inflation for the initial years, gradually reducing to a return of 0.7% above inflation at the ending point of the lifestyle.
  - L&G Global Emerging Markets Index Fund: 2.5% above inflation
  - BlackRock Money Market Fund: 0.5% below inflation
  - Threadneedle Property Fund: 2.5% above inflation
  - BlackRock Over 15 Year Gilts Index Fund: 1.1% below inflation
- No allowance for active management has been made.

## 5. Value for members assessment

The Trustee is required to assess on an annual basis the extent to which member borne charges and transaction costs represent good value for members. There is no legal definition of 'good value' which means that determining this, other than in hindsight, must involve a degree of subjective judgement however it is broadly considered that this means the combination of costs and the quality of what is provided in return for those costs is appropriate for the Fund membership as a whole, when compared to other options available in the market. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee is committed to ensuring that members receive value for money for the services that are provided from the Fund, in particular any costs that are met by the members themselves.

The Trustee reviews all member-borne charges (including transaction costs where these are available, annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Fund. The last value for members' assessment was completed in March 2020. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the services provided to members has also been considered in the assessment. However, the Trustee also notes the extensive evidence that the greatest single impediment to satisfactory member outcomes results from excessive expenses and charges and cost is an important determinant in selecting investment vehicles for its members.

The Trustee's investment advisers have confirmed that the fund charges considered as a whole are very competitive for the types of fund available to members and are unlikely to be bettered by other providers. The Trustee's assessment included a review of the performance of the Fund's investment funds (after all charges) in the context of their investment objectives. The returns on the investment funds members were able to choose during the reporting period have been consistent with their stated investment objectives.

In carrying out the assessment the Trustee also considered the other services members receive from the Fund, which include:

- the design and efficiency of implementation of the default arrangement and how this reflects the interests of members as a whole
- the range of investment options and strategies
- the quality of communications delivered to members
- stringent investment governance and oversight by the Trustee
- the quality of support services such as the Fund website PlanViewer where members can access their Fund information and modelling tools online; and
- the efficiency of other administration and client facing processes and the extent to which the administrator met or exceeded its service level standards for the Fund year.

In summary:

- As detailed in the previous section covering processing of core financial transactions, the Trustee is satisfied with the quality and efficiency of the administration processes.
- The Trustee believes the transaction costs that have been reported provide value for members as the ability to transact forms an integral part of the investment approaches and expects this to lead to greater investment returns net of fees over time.
    - The fees for the Drawdown Lifestyle (the default) range from 0.14% pa to 0.18% pa. The default fund charges are significantly below the 0.75% pa charge cap
    - The assessment by the Trustee's investment advisers where the Fund charges were compared against those of similar peer group funds concluded that the charges applicable were very competitive and are unlikely to be replicated by other providers.

For these reasons above, the Trustee believes that overall members of the Fund are receiving good value for money for the charges and transaction costs incurred during the reporting period (in so far as it has been possible to review and disclose these).

The Trustee's representatives continue to request the required information for transaction charge reporting from Prudential and Phoenix Life.

## 6. Trustee knowledge and understanding (TKU)

The Fund's Trustee Directors are required to maintain appropriate levels of knowledge and understanding relating to pensions and trusts, as well as an understanding of the matters relating to funding and investment of assets of occupational pension schemes and other matters to run the Fund effectively. The Trustee Directors are also required to be conversant with the Fund's governing documents.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling proper execution of functions relating to their trusteeship of the Fund.

These requirements have been met, during the reporting period, by virtue of the Trustee having a structured TKU process in place which includes:

- Reviewing the Pension Regulators toolkit, ensuring that all modules are revisited over a maximum three-year rolling period with four (or more) modules revisited and re-examined each year. This supports the Trustee in having a working knowledge of scheme documentation and of the law, funding and investment relating to pensions.

- Having a training plan in place which targets training at an appropriate time to tie up with the Trustee business plan on relevant topics being considered by the Trustee

- The Trustee carries out an evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Fund's business plan. A questionnaire was issued to Trustee Directors in Q1 2021 to establish any areas where further training may be required This has informed the training plan set out for 2021.

- Attending relevant training and sharing material from these sessions, if appropriate. This includes attending training sessions provided by advisers and other industry groups. (A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date). Training topics covered during the reporting period included :

    - ESG DC-focused training and responsible investment principles

    - DC Strategy and current market trends.

- Maintaining and monitoring an annual training record for each Trustee Director.

- Trustee Directors ensure they have a working knowledge through training on all key documents setting out the Trustee's current policies, the Trust Deed and Rules and current SIP. During the reporting period, the Fund Statement of Investment Principles was updated and reviewed by both the Trustee and the Company.

Additionally, the Fund has in place a structured induction process is in place for new Trustee Directors with all new Trustee Directors required to complete the Pensions Regulator's Toolkit. During the period there were no new Trustee Director appointments.

The Trustee Board includes a Director who is an Independent Professional Trustee from an established provider of independent pension trusteeship services in the UK providing services to over 200 pension schemes. All its trustee directors are members of the Association of Professional Trustees and undertake continuous professional development. Over the reporting period this consisted of a formal training programme including regular meetings with industry participants and bi-annual away days where business strategy, regulatory matters and client case studies were discussed.

Based on the actions taken by the Trustee Directors during the reporting period and taking into account the specialist advice (both in writing and whilst attending meetings) available from its appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes that its combined knowledge means that it is well placed to effectively and properly exercise its functions as Trustee of the Fund.

Approved by the Trustee Directors and signed by the Chair of Trustee of the Credit Suisse Group (UK) Pension Fund

Glenn Wellman
________________________________________ (G Wellman – Chairman)

Date: 15-Jul-2021 | 17:06 BST

# Independent auditors' report to the Trustee of Credit Suisse Group (UK) Pension Fund

## Report on the audit of the financial statements

### Opinion

In our opinion, Credit Suisse Group (UK) Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 31 December 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Fund and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Fund in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 15/7/21

# Fund Account for the year ended 31 December 2020

The notes on pages 39 to 63 form an integral part of these financial statements.

| | Note | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|---|---|---|---|
| **Contributions and benefits:** | | | | | | | |
| **Contributions receivable:** Employer | 4 | **-** | **11,516** | **11,516** | 909 | 12,242 | 13,151 |
| | | **-** | **11,516** | **11,516** | 909 | 12,242 | 13,151 |
| **Transfers in** | | **-** | **3,049** | **3,049** | - | 571 | 571 |
| **Other income** | | **-** | **-** | **-** | 237 | - | 237 |
| | | **-** | **14,565** | **14,565** | 1,146 | 12,813 | 13,959 |
| **Benefits paid or payable** | 8 | **(16,547)** | **(938)** | **(17,485)** | (17,080) | (4,305) | (21,385) |
| **Transfers out** | 9 | **(55,048)** | **(37,478)** | **(92,526)** | (45,398) | (39,727) | (85,125) |
| **Administrative expenses** | 10 | **(3,850)** | **-** | **(3,850)** | (2,307) | - | (2,307) |
| | | **(75,445)** | **(38,416)** | **(113,861)** | (64,785) | (44,032) | (108,817) |
| **Net withdrawals from dealings with members** | | **(75,445)** | **(23,851)** | **(99,296)** | (63,639) | (31,219) | (94,858) |
| **Returns on investments:** | | | | | | | |
| **Investment income** | 11 | **31,026** | **-** | **31,026** | 40,698 | - | 40,698 |
| **Change in market value of investments** | 13 | **276,116** | **24,302** | **300,418** | 228,858 | 168,790 | 397,648 |
| **Investment management expenses** | 12 | **(3,075)** | **-** | **(3,075)** | (1,691) | - | (1,691) |
| **Net returns on investments** | | **304,067** | **24,302** | **328,369** | 267,865 | 168,790 | 436,655 |
| **Fund assets:** | | | | | | | |
| **Net increase/(decrease) in the fund** | | **228,622** | **451** | **229,073** | 204,226 | (137,571) | 341,797 |
| **Opening net assets** | | **2,286,367** | **1,085,504** | **3,371,871** | 2,075,772 | 954,302 | 3,030,074 |
| **Transfers between sections** | 5 | **3,519** | **(3,519)** | **-** | 6,369 | (6,369) | - |
| **Closing net assets** | | **2,518,508** | **1,082,436** | **3,600,944** | 2,286,367 | 1,085,504 | 3,371,871 |

# Statement of Net Assets available for benefits at 31 December 2020

The notes on pages 39 to 63 form an integral part of these financial statements.

| Net Assets | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Defined Benefit Section:** | | | |
| **Investment assets:** | 13 | | |
| Bonds | | **2,374,951** | 2,096,960 |
| Pooled investment vehicles | 15 | **50,020** | 131,532 |
| Derivatives | 16 | **33,300** | 42,806 |
| Other investment balances | 18 | **12,162** | 13,119 |
| Cash | 17 | **67,798** | 39,825 |
| | | **2,538,231** | 2,324,242 |
| **Investment liabilities:** | | | |
| Derivatives | 16 | **(65,408)** | (64,316) |
| **Total net investments** | | **2,472,823** | 2,259,926 |
| **Current assets** | 24 | **60,544** | 27,512 |
| **Current liabilities** | 25 | **(14,859)** | (1,071) |
| **Net assets of Defined Benefit Section** | | **2,518,508** | 2,286,367 |
| **Defined Contribution Section:** | | | |
| **Investment assets:** | | | |
| Pooled investment vehicles | 15 | **1,077,534** | 1,080,960 |
| AVC investments | 19 | **4,902** | 4,544 |
| **Total Net Investments** | | **1,082,436** | 1,085,504 |
| **Net assets of Defined Contribution Section** | | **1,082,436** | 1,085,504 |
| **Total net assets available for benefits** | | **3,600,944** | 3,371,871 |

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Defined Benefit Section of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 9 and 10 and in the certificate included on page 64 of the annual report and these financial statements should be read in conjunction with this information.

**Approved by the Trustee and signed on its behalf by:**

Date: 15-Jul-2021 | 17:06 BST

**Trustee Director** Glenn Wellman

# Notes to the Financial Statements

## 1. General information

The Credit Suisse Group (UK) Pension Fund (the "Fund") is a hybrid pension scheme, established under trust and under the jurisdiction of English law. The Fund was established to provide retirement benefits for certain groups of employees of the Principal and Participating employers. The Fund incorporates defined benefit (DBS) and defined contribution (DCS) sections. The DBS is closed to new members but the DCS remains open.

The address for the Fund is 1 Cabot Square, London, E14 4QJ.

The Fund is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004.

## 2. Basis of preparation

The individual financial statements of Credit Suisse Group (UK) Pension Fund have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").The financial statements are prepared on a going concern basis of accounting, which the Trustee believes to be appropriate as it believes that the Fund has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least twelve months from the date of approval of these financial statements

## 3. Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the Financial Statements.

### 3.1 Accruals concept

The Financial Statements have been prepared on an accruals basis.

### 3.2 Valuation of Investments

Investments are stated at fair value:

i) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

ii) Bonds are valued at their clean prices (i.e. without accrued income). Accrued income is accounted for within investment income.

iii) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

iv) Derivative contracts are valued at market value.

Exchange traded derivatives are stated at market values determined using market quoted prices.

For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in market value'.

Swaps – over the counter ("OTC") are valued at fair value, using a discounted cash flow pricing model which calculates the current value of future expected net cash flows arising from the swap, for which the time value of money is taken into account. Interest is accrued monthly under the terms relating to individual contracts.

Receipts on swap contracts are generally reported as interest income; net payments on swap contracts are generally reported as interest expense. Premiums paid or received at inception are included in the cost basis of the swap.

Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within 'Change in market value'.

The notional principal amount is used for the calculation of cash flows only.

v) External AVC funds are included at the market value advised by the Fund's managers at the year end including the terminal bonus as advised by the manager.

vi) Annuities are purchased and held in the name of the member so the value is not recorded in the financial statements of the Fund.

### 3.3 Investment income and expenditure

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income distributed by pooled investment vehicles is reinvested to purchase more units. Income distributed is reported as investment income and purchase of units included as a purchase in the investment reconciliations table. Investment distributions are recognised on an ex-dividend basis.

Income from bonds is accounted for when the security is quoted ex-dividend.

Interest on bank deposits accrues on a daily basis.

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income on a cash basis.

The Fund pays interest to repurchase agreement counterparties. This is accounted for on an accruals basis in line with the underlying contract agreement.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, stamp duties, commissions and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

### 3.4 Foreign currency translation

The Fund's functional currency and presentation currency is pounds sterling (GBP).

Amounts denominated in foreign currencies at the year end are translated at rates ruling at that time.

Differences on foreign currency transactions are reflected in change in market value of investments.

Investment income denominated in foreign currencies is recorded at the rate of exchange on the date of receipt.

### 3.5 Contributions

Employer normal contributions and Employer additional contributions are accounted for in the period in which they fall due under the schedule of contributions in force.

Employer death in service contributions and administrative expense contributions are accounted for in the period in which they fall due under the schedule of contributions in force.

### 3.6 Benefits paid or payable

Pensions in payment are accounted for in the period to which they relate.

When members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later date of retirement and the date the option is exercised.

Other benefits (including the purchase of annuities) are accounted for on an accruals basis on the date of retirement or death as appropriate.

Where the Trustee agrees or is required to settle tax liabilities on behalf of members (such as where lifetime or annual allowances are exceeded) with a consequent reduction in benefits receivable from the Fund, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability, and will be shown separately within the benefits note.

### 3.7 Transfers to and from other schemes

Individual transfer values to and from other pension schemes are accounted for when the receiving scheme accepts the liability to pay for future benefits which is usually when the transfer value is paid or received.

Group transfers are accounted for when the transfer value is paid or received.

### 3.8 Expenses

Administrative and investment management expenses are accounted for on an accruals basis.

Life insurance premiums are borne by the Company.

### 3.9 Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

## 4. Contributions receivable

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Employers – normal | **-** | **11,473** | **11,473** |
| Employers – admin expenses | **-** | **-** | **-** |
| Employers – death in service conts | **-** | **-** | **-** |
| Employers – additional | **-** | **43** | **43** |
| | **-** | **11,516** | **11,516** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Employers – normal | - | 12,193 | 12,193 |
| Employers – admin expenses | 708 | - | 708 |
| Employers – death in service conts | 201 | - | 201 |
| Employers – additional | - | 49 | 49 |
| | 909 | 12,242 | 13,151 |

Employer normal contributions include employee contributions paid under salary sacrifice arrangements.

Prior to 1 April 2019, death in service contributions were made by the Company to fund the payment of pensions provided on death in service. Administrative expense contributions were made to the Fund by the Company to cover the cost of administering the Fund. From April 2019 until March 2022, death in service contributions and administration expenses including the PPF Levy will be met directly by the Fund in accordance with the schedule of contributions.

Additional employer contributions relate to redundancy payments made direct to the members' account by the Employer.

## 5. Transfers between sections

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Transfers between sections | **3,519** | **(3,519)** | **-** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Transfers between sections | 6,369 | (6,369) | - |

The inter-section transfers comprise transfers from the DC employer pot for the payment of Fund expenses arising from investment gains from members leaving the Fund with no vested benefit and contributions returned to the Fund on death in service, as well as transfers from the DCS to DBS for members with benefits in both sections. Those members have their benefits or transfers out paid out of the DBS.

## 6. Transfers in

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Transfers in - individual | **-** | **3,049** | **3,049** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Transfers in – individual | - | 571 | 571 |

## 7. Other income

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Claims on term insurance policies | **-** | **-** | **-** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Claims on term insurance policies | 237 | - | 237 |

## 8. Benefits paid or payable

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Pensions payable | **12,533** | **-** | **12,533** |
| Commutations and lump sum retirement benefits | **3,664** | **119** | **3,783** |
| Lump sum death benefits | **326** | **392** | **718** |
| Purchase of annuities | **-** | **71** | **71** |
| Pension sharing orders | **-** | **356** | **356** |
| Taxation where lifetime or annual allowance exceeded | **24** | **-** | **24** |
| | **16,547** | **938** | **17,485** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Pensions payable | 11,639 | - | 11,639 |
| Commutations and lump sum retirement benefits | 5,427 | 2,843 | 8,270 |
| Lump sum death benefits | 14 | 489 | 503 |
| Purchase of annuities | - | 405 | 405 |
| Pension sharing orders | - | 568 | 568 |
| Taxation where lifetime or annual allowance exceeded | - | - | - |
| | 17,080 | 4,305 | 21,385 |

Benefit figures above are shown gross of taxable deductions. Taxation arising on benefits paid or payable are in respect of Pay as You Earn (PAYE) income tax or member's whose benefits have exceeded the lifetime allowance.

## 9. Transfers out

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Individual transfers out to other plans | **55,048** | **37,478** | **92,526** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Individual transfers out to other plans | 45,398 | 39,727 | 85,125 |

Within the DBS transfers out in 2020, 30 members transferred their benefits as part of an Enhanced Transfer Value exercise. The value of these transfers out was £15,800,074.

## 10. Administrative expenses

| | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Administration and processing | **676** | 471 |
| Audit fee | **62** | 61 |
| Pension Regulator Levy | **66** | 57 |
| Legal fees | **191** | 232 |
| Actuarial fees | **962** | 435 |
| Trustee fees and expenses | **23** | 36 |
| Chief Operating Officer to the Trustee fees | **1,018** | 1,008 |
| Sundry expenses | **17** | 7 |
| Independent Financial Advisor fees | **835** | - |
| | **3,850** | 2,307 |

The fees above are shown including VAT, as the Fund is unable to reclaim this tax charge.

The Trustee Directors' expenses paid by the Fund during the year (other than those paid to the Independent Trustee Director) total £247 (2019: £1,849). Fees paid by the Fund to the Independent Trustee Director total £22,867 (2019: £34,560).

There was a new Schedule of Contributions signed and certified in September 2020. In January 2021 a further Schedule was signed and certified. The purpose of both of the new Schedules was to document agreement between the Company and the Trustee that contributions payable in respect of DC Plus members would be reduced by an amount representing the Independent Financial Adviser (IFA) costs met by the Company as part of the ETV exercise. The offset to the DC Plus contributions was met from the surplus assets in the DB Section of the Fund.

## 11. Investment income

| | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Dividends from equities | **29** | (24) |
| Income from bonds* | **40,333** | 36,770 |
| Income from stock lending* | **789** | 111 |
| Income from pooled investment vehicles | **835** | 1,669 |
| Net (payments)/receipts from derivatives | **(10,880)** | 1,457 |
| Income from cash | **165** | 621 |
| Interest from cash deposits | **35** | 94 |
| Interest expense payable on repurchase agreements | **(286)** | - |
| Other investment income | **6** | - |
| | **31,026** | 40,698 |

*Stock lending income has been separately presented in 2020. As a result, prior year comparative information has been amended for bond income, so as to be consistent with the 2020 treatment.

## 12. Investment management expenses

| | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Administration | **2,732** | 1,304 |
| Consultancy | **343** | 387 |
| | **3,075** | 1,691 |

The funds in the Defined Contribution sections have annual management charges. The funds also incur expenses such as auditing and registry fees. The annual management charge and the other expenses are deducted from each fund's assets and are reflected in the quoted daily price for the fund. They are not taken directly from member's pension accounts. Performance figures for the funds, therefore, take account of all charges.

## 13. Reconciliation of investments

| | Value at 01.01.20 | Purchases at cost & derivative payments | Sales proceeds & derivative receipts | Change in market value | Value at 31.12.20 |
|---|---|---|---|---|---|
| **DB SECTION** | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 2,096,960 | 581,315 | (547,052) | 243,728 | **2,374,951** |
| Pooled investment vehicles | 131,532 | 67,000 | (146,789) | (1,723) | **50,020** |
| Derivative contracts - net | (21,510) | 37,388 | (81,905) | 33,919 | **(32,108)** |
| | **2,206,982** | **685,703** | **(775,746)** | **275,924** | **2,392,863** |
| Cash deposits | 39,825 | | | 192 | **67,798** |
| Other investment balances | 13,119 | | | - | **12,162** |
| | **2,259,926** | | | **276,116** | **2,472,823** |
| **DC SECTION** | | | | | |
| Pooled investment vehicles | 1,080,960 | 115,084 | (142,303) | 23,793 | **1,077,534** |
| AVC Investments | 4,544 | - | (151) | 509 | **4,902** |
| | **1,085,504** | **115,084** | **-142,454** | **24,302** | **1,082,436** |

The movement in defined benefit pooled investment vehicle purchases and sales during the year is largely due to strategic cash movements within the Fund's LDI portfolio.

DCS pooled investment vehicle purchases and sales include switches between funds of £100,514,368.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

### Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed below, indirect costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

With respect to the Pooled Investment Vehicles in the DC Sections at 31 December 2020, £1,077,462,000 is designated to members and relates to members' units (2019: £1,080,825,000) and £72,000 relates to the units not designated to members and held by the Trustee (2019: £135,000).

Insurance policies are held to cover pensions in payment in respect of certain members. These policies are specifically allocated to the provision of benefits for, and provide all the benefits payable under the Fund to, those members. Accordingly, the acquisition costs of such policies are treated in the Fund Account in the period in which they arise, as the cost of discharging the obligations of the Fund to the relevant members at the time of purchase. These policies are held in the members' names and are therefore not valued in these financial statements.

## 14. Investment fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.
- Unrated - represents items that are not required to be assigned a level such as pending trades, dividends and tax, they have been included for completeness.

The Fund's investments have been analysed using the above hierarchy categories as follows:

| **At 31 December 2020** | **Level** | **Level** | **Level** | **Unrated** | **Total** |
|---|---|---|---|---|---|
| **DB SECTION** | **(1)** £'000 | **(2)** £'000 | **(3)** **£'000** | £'000 | £'000 |
| Bonds | 1,803,298 | 571,653 | - | - | **2,374,951** |
| Pooled investment vehicles | - | 50,020 | - | - | **50,020** |
| Derivative contracts – net | - | (32,108) | - | - | **(32,108)** |
| Cash | 67,798 | - | - | - | **67,798** |
| Accrued income | - | - | - | 12,162 | **12,162** |
| | **1,871,096** | **589,565** | **-** | **12,162** | **2,472,823** |
| **DC SECTION** | | | | | |
| Pooled investment vehicles | - | 1,075,834 | 1,700 | - | **1,077,534** |
| AVC investments | - | 3,451 | 1,451 | - | **4,902** |
| | **-** | **1,079,285** | **3,151** | **-** | **1,082,436** |
| **TOTAL** | **1,871,096** | **1,668,850** | **3,151** | **12,162** | **3,555,259** |

| At 31 December 2019 | Level | Level | Level | Unrated | Total |
|---|---|---|---|---|---|
| **DB SECTION** | (1) £'000 | (2) £'000 | (3) £'000 | £'000 | £'000 |
| Bonds | 1,496,257 | 600,703 | - | - | 2,096,960 |
| Pooled investment vehicles | - | 131,532 | - | - | 131,532 |
| Derivative contracts - net | - | (21,510) | - | - | (21,510) |
| Cash | 39,825 | - | - | - | 39,825 |
| Accrued income | - | - | - | 13,119 | 13,119 |
| | 1,536,082 | 710,725 | - | 13,119 | 2,259,926 |
| **DC SECTION** | | | | | |
| Pooled investment vehicles | - | 1,078,943 | 2,017 | - | 1,080,960 |
| AVC investments | - | 3,594 | 950 | - | 4,544 |
| | - | 1,082,537 | 2,967 | - | 1,085,504 |
| **TOTAL** | 1,536,082 | 1,793,262 | 2,967 | 13,119 | 3,345,430 |

## 15. Pooled investment vehicles

| DB SECTION | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Property | **-** | 31,452 |
| Cash | **50,020** | 100,080 |
| | **50,020** | 131,532 |

| DC SECTION | DCS 2020 £'000 | DCS 2019 £'000 |
|---|---|---|
| Equities | **892,126** | 918,606 |
| Bonds | **20,327** | 20,492 |
| Multi Asset funds | **118,979** | 99,630 |
| Cash | **44,402** | 40,215 |
| Property | **1,700** | 2,017 |
| | **1,077,534** | 1,080,960 |

## 16. Derivatives

| DB SECTION | 2020 | | 2019 | |
|---|---|---|---|---|
| | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 |
| Swaps | **26,228** | **(65,408)** | 35,051 | (64,314) |
| Futures | **-** | **-** | 801 | - |
| Forward foreign currency contracts | **7,072** | **-** | 6,954 | (2) |
| | **33,300** | **(65,408)** | 42,806 | (64,316) |

Futures are exchange traded, whereas the other derivatives are over the counter ("OTC") investments.

**Objectives and policies**

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Fund.

Investment managers may use derivatives for both efficient portfolio management and to manage investment risks.

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Swaps – The Fund uses swaps to hedge a proportion of the interest rate risk of the bond assets as well as a proportion of the estimated interest rate and inflation risk of the accrued liabilities of the Fund. The Trustee's aim is to hedge 120% of the Fund's interest rate risk and 110% of the Fund's inflation risk arising from the Technical Provisions.

Forwards – The Trustee does not have a specific strategy for Forward Contracts, the Contracts held by the Fund relate to the management of a discretionary US Credit account by PIMCO Europe Limited rather than being specific Forward Contracts taken on by the Fund.

### 16.1. Swaps

| Type of contract | Expiration | Notional Amounts £'000 | Asset £'000 | Liability £'000 |
|---|---|---|---|---|
| Inflation Swaps | 0-10 years | **15,988** | - | (3,276) |
| | 10-20 years | **15,375** | - | (2,887) |
| | Over 20 years | **26,711** | 2,260 | (15,067) |
| | | **58,074** | 2,260 | (21,230) |
| | | | | |
| Interest Rate Swap | 0-10 years | **116,293** | - | (11,851) |
| | 10-20 years | **55,769** | 694 | (12,245) |
| | Over 20 years | **103,532** | 7,245 | (13,673) |
| | | **275,594** | 7,939 | (37,769) |
| | | | | |
| Total Return Swap | 0-10 years | **385,321** | 16,029 | (6,409) |
| | | | | |
| Sub totals | | | 26,228 | (65,408) |
| | | | | |
| Swaps Total Net Asset | | | | (39,180) |

Under the swap contracts, at 31 December 2020 there was collateral of £51,807,714 (2019: £48,126,073 – restated) pledged and £15,769,617 (2019: £18,520,634 – restated) held. Collateral was held/pledged in the form of cash and bonds.

### 16.2. Forward foreign currency contracts

| Buy/Sell Currency | Bought Currency £'000 | Sold Currency £'000 | Asset £'000 | Liability £'000 |
|---|---|---|---|---|
| Sterling / US dollar | **213,803** | **(282,715)** | 7,052 | - |
| Sterling / Euro | **3,519** | **(3,906)** | 20 | - |
| | | | 7,072 | - |

FX is traded under ISDA (International Swaps and Derivatives Association) and is collateralised using the Bond portfolio.

All contracts had a duration of less than 1 year.

## 17. Cash deposits

| | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Sterling cash deposits | **65,806** | 37,066 |
| Foreign currency cash deposits | **1,992** | 2,759 |
| | **67,798** | 39,825 |

## 18. Other investment balances

| | DBS 2020 £'000 | DBS 2019 £'000 |
|---|---|---|
| Accrued income | **12,162** | 13,119 |

## 19. AVC Investments

The Trustee holds assets in respect of members' Additional Voluntary Contributions (AVCs) which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below.

| DC SECTION | 2020 £'000 | 2019 £'000 |
|---|---|---|
| AEGON (unit linked) | **7** | 7 |
| Utmost Life and Pensions Limited (formerly Equitable Life) (unit linked) | **2,773** | 2,907 |
| Scottish Friendly (formerly MGM Assurance) (with profits) | **13** | 13 |
| Phoenix Life Limited (with profits) | **15** | 15 |
| The Prudential Assurance Company (with profits) | **1,423** | 922 |
| Standard Life Assurance Company (unit linked) | **671** | 680 |
| | **4,902** | 4,544 |

## 20. Stock Lending

Towards the end of the year to 31 December 2017, the Fund began to lend securities under a Trustee approved securities lending programme, which gives the custodian approval to lend securities in the market, subject to certain restrictions. The Trustee is comfortable that the custodian has appropriate risk management systems in place, including only lending to approved borrowers who are deemed to be creditworthy and to have appropriate collateral arrangements in place.

At 31 December 2020, the market value of securities that had been lent in the market was £585,137,806 (2019: £460,415,228). All securities lent were bonds.

Collateral held in respect of the securities on loan at 31 December 2020 had a total value of £624,577,985 (2019: £494,986,728).

## 21. Investments Risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, either directly or indirectly.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Fund's investment strategy after taking advice from its investment consultant. Details are also included in the Statement of Investment Principles. The Fund has exposure to the aforementioned risks via the investments held to implement the investment strategy.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Fund's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the approach of the Trustee to risk management is set out on the next page. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Fund.

| Asset class | Investment manager | Valuations £000 | | Risks | | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | Credit | Currency | Interest | Other |
| **DB Section** | | | | | | | |
| | | **Bonds** | | | | | |
| Global | PIMCO | **195,529** | 197,647 | S | P | S | P |
| Global | Insight | **193,899** | 188,056 | S | P | S | P |
| Global | M&G | **198,647** | 189,030 | S | P | S | P |
| | | **Liability Driven Investments** | | | | | |
| LDI | Insight | **1,873,497** | 1,639,232 | S | N | S | S |
| | | **Pooled investment vehicles** | | | | | |
| Indirect: | | | | | | | |
| UK Property | Fidelity | **-** | 31,043 | P | N | P | S |
| Cash | Northern Trust | **11,251** | 13,047 | S | N | N | P |
| Equity contracts | Insight | **-** | 1,871 | S | N | N | P |
| **Total Defined Benefit** | | **2,472,823** | 2,259,926 | | | | |
| **DC Section** | | | | | | | |
| Pooled investment vehicles | | **1,077,534** | 1,080,960 | S | P | S | S |

Key: Significant =(S), partial (P), negligible (N)

**Defined Benefit Section**

The table above has been presented using a different categorisation to that set out in note 14. This is because the investment risks attached to the asset classes and their respective managers are, in the view of the Trustee, more appropriately presented by the categorisation shown above for the purposes of this note.

The categorisation is principally by investment manager, rather than just by asset class (equities, bonds, pooled investment vehicles, derivatives, cash and other) as the risks relate to the overall portfolio held by each investment manager (equities, bonds, LDI and pooled investment vehicles).

Some investment managers (across all asset classes) may, for example, also use derivative instruments as part of the investment strategy, and may also hold cash as part of their overall portfolio. Any accrued income or pending purchases and sales as they pertain to each investment manager is also shown in the totals above, and has not been separately analysed.

The LDI portfolio comprises bonds, derivatives, pooled investment vehicles and cash.

**Credit risk**

The Fund invests in various pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. Furthermore, where the Fund holds assets via segregated portfolios, the Fund is directly exposed to credit risk in relation to the custodian, Northern Trust.

These direct credit risks are mitigated by the underlying assets of the pooled funds and segregated portfolios being ring-fenced from the investment managers and the custodians, the regulatory environments in which the pooled fund managers and custodians operate and diversification of the Fund's investments across a number of pooled funds and segregated portfolios. The Trustee carries out due diligence checks prior to the appointment of any new investment manager or fund, and on an on-going basis monitors for changes to the operating environment of the existing pooled funds and custodian of the segregated assets.

A summary of pooled investment vehicles by type of arrangement are shown in the table below:

| Defined benefit section | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Open ended investment companies | **50,020** | 131,532 |

The Fund is directly exposed to credit risk from its segregated portfolios in Global Buy & Maintain Credit managed by PIMCO, Insight and M&G.

These managers monitor credit risk on a daily basis and mitigate it via detailed research on the issuing entities. In addition, credit risk is mitigated by the strict limits for specific credit exposures set for each of the portfolios set by the Trustee.

The full restrictions on credit exposures are set out in the managers' Investment Management Agreements.

In addition, the Fund is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds (through a Cash fund). The amount invested is shown in the Statement of Net Assets available for benefits.

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. At the year end, around 99% (2019: c.99%) of bonds were investment grade. The Trustee take a standard definition of investment grade credit i.e. any bonds rated BBB- or above. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Within the LDI portfolio, there is exposure to credit risk as the portfolio manager uses derivative instruments. These derivatives are subject to robust collateralisation processes to mitigate the credit risk on a daily basis.

### Currency risk

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are denominated in overseas currencies.

The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements. Even where currency hedging arrangements are in place, there will still be residual currency risks, as these hedging arrangements may not be perfectly aligned to the assets.

The Fund's assets that are exposed to currency risk are the various international bond portfolios. The amount invested in each of these mandates is shown in the Statement of Net Assets available for benefits.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the fund managers.

### Interest rate risk

The DB Section's investments in the LDI strategy and the Buy & Maintain Credit portfolios expose the Fund to a material amount of interest rate risk. The amount invested in each of these mandates is shown in the Statement of Net Assets available for benefits. Swaps are used within these portfolios to hedge interest rate risk.

However, the interest rate exposure of these assets is structured to hedge the aggregate corresponding risks associated with the Fund's liabilities. The net effect will be to reduce the volatility of the actuarial funding level, and so the Trustee believes that it is appropriate to take exposures to these risks in this manner.

### Other price risk

The Fund's assets are exposed to risks of market prices other than currencies and interest rates, such as the UK Property fund holdings being subject to movements in the property market. The holding in this the UK Property fund was sold in 2020. The Trustee believes that the Fund's DB assets are adequately diversified between different asset classes and within each asset class to manage this risk.

Within the LDI portfolio there is a significant exposure to inflation-linked swaps and index-linked bonds. Therefore, the Fund's assets are exposed significantly to expectations of future inflation rates. The magnitude of this risk to which the Fund is exposed in its assets has been carefully chosen to match closely the magnitude of this risk which is inherent in its liabilities to pay inflation-protected pensions. The Trustee is therefore comfortable that it is appropriate to take this risk in its assets.

### Defined Contribution Section

### Investment strategy

The Trustee's primary objectives for the DC Section are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

The Statement of Investment Principles ("SIP") outlines the investment objectives and strategy for the DC assets of the Fund.

The investment funds offered to members are provided by FIL Life Insurance Limited ("FIL Life"). These are invested in other underlying funds available through the FIL Life platform and provide reduced pricing on the funds being used. Asset mix of the funds available as follows:

- Equities
- Bonds
- Multi asset
- Property
- Cash

The Trustee has an investment management agreement in place with FIL Life that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of FIL Life, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by quarterly investment reviews with their investment consultants LCP. FIL Life provides performance information and data on a quarterly basis to LCP.

### (i) Direct credit risk

A summary of pooled investment vehicles by type of arrangement are shown in the table below:

| Defined contribution section | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Unit Linked Insurance Policies | **1,072,902** | 1,077,513 |
| Open Ended Investment Companies | **4,632** | 3,447 |
| | **1,077,534** | 1,080,960 |

The DC Sections are subject to direct credit risk in relation to FIL Life through its holding in unit linked insurance funds provided by FIL Life.

FIL Life is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of FIL Life by reviewing published credit ratings. All the funds offered by FIL Life on their DC investment platform are invested through a life policy issued by FIL Life. FIL Life offers the Trustee a range of unit linked funds that in turn are invested with a range of underlying fund managers. The day to day management of the underlying investments within these funds is the responsibility of the respective fund managers. In the event of default by FIL Life, members may be entitled to compensation from the Financial Services Compensation Scheme.

**(ii) Indirect credit risk and market risk**

The DC Sections are subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members.

At the year end the Bond, Cash and Multi-asset funds were exposed to underlying credit risk.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

The Fund's DC Sections are subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by FIL Life.

Please note, the default strategy used by the Fund and the range of underlying funds and their collective blends have been selected by the Trustee of the Fund on the advice of its investment consultant. The risk categorisation on the next page for each of the funds is based purely on the interpretation of the data provided to FIL Life by or on behalf of the managers of the underlying funds. It should not be relied upon to make any decisions relating to the funds provided to the Fund. For any clarification or further details regarding the credit risk, market risk or fair value hierarchy of these funds the Fund's investment consultants should be consulted.

| Funds | Value £000 | Credit Risk | Market Risk | | |
|---|---|---|---|---|---|
| | | | Currency | Interest rate | Other price risk |
| **CSPF BlackRock Global 50:50 Index Fund** | 788,853 | ✓ | ✓ | × | ✓ |
| **CSPF Passive Multi Asset Fund** | 114,233 | ✓ | ✓ | × | ✓ |
| **CSPF BlackRock Cash Fund** | 44,402 | ✓ | × | ✓ | ✓ |
| CSPF BlackRock US Equity Index Fund | 37,937 | ✓ | ✓ | × | ✓ |
| CSPF BlackRock UK Equity Index Fund | 15,165 | ✓ | × | × | ✓ |
| CSPF BlackRock European Equity Index Fund | 15,978 | ✓ | ✓ | × | ✓ |
| CSPF BlackRock Pac Rim Equity Index Fund | 14,192 | ✓ | ✓ | × | ✓ |
| CSPF L&G Global Emerging Markets Index Fund | 12,019 | ✓ | ✓ | × | ✓ |
| **CSPF BlackRock Over 15 Year Gilts Index Fund** | 9,443 | ✓ | × | ✓ | × |
| CSPF BlackRock Japanese Equity Index Fund | 6,222 | ✓ | ✓ | × | ✓ |
| CSPF BlackRock Over 5 Year Index-Linked-Gilt Fund | 4,378 | ✓ | × | ✓ | × |
| CSPF Fidelity Corporate Bond Fund | 4,632 | ✓ | × | ✓ | × |
| CSPF L&G Overseas Bond Index Fund | 1,875 | ✓ | ✓ | ✓ | × |
| CSPF HSBC Islamic Fund | 4,746 | ✓ | ✓ | × | ✓ |
| CSPF Threadneedle Pooled Property Fund | 1,700 | ✓ | × | × | ✓ |
| CSPF L&G Ethical UK Equity Index Fund | 1,759 | ✓ | × | × | ✓ |
| | 1,077,534 | | | | |

The funds within the default lifestyle are shown in bold.

## 22. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the Fund's net assets as at 31 December 2020:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Market Value £'000 | % | Market Value £'000 | % |
| BlackRock 50:50 Global Equity (DC section) | **788,853** | **21.9** | 828,155 | 24.6 |

## 23. Employer related investments

The investments of the Fund are invested in compliance with the Pensions Act 1995. The only investments deemed to be employer-related are as follows:

- Some of the Fund's defined contribution pooled investment funds may invest in Credit Suisse securities.

The Trustee actively reviews this to ensure that the level of employer-related investment is below 5% of the net assets of the Fund. As at 31 December 2020 the Trustee estimates that self-investment amounted to 0.02% (2019: 0.03%).

## 24. Current Assets

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Prepayments | **1,095** | **-** | **1,095** |
| Trustee bank account | **59,449** | **-** | **59,449** |
| | **60,544** | **-** | **60,544** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| | - | - | - |
| Prepayments | 1,054 | - | 1,054 |
| Trustee bank account | 26,458 | - | 26,458 |
| | 27,512 | - | 27,512 |

## 25. Current Liabilities

| | DBS 2020 £'000 | DCS 2020 £'000 | Total 2020 £'000 |
|---|---|---|---|
| Benefits payable | **(56)** | **-** | **(56)** |
| Accrued expenses | **(1,605)** | **-** | **(1,605)** |
| Transfers to other schemes payable | **(12,829)** | **-** | **(12,829)** |
| H M Revenue & Customs | **(369)** | **-** | **(369)** |
| | **(14,859)** | **-** | **(14,859)** |

| | DBS 2019 £'000 | DCS 2019 £'000 | Total 2019 £'000 |
|---|---|---|---|
| Benefits payable | (8) | - | (8) |
| Accrued expenses | (695) | - | (695) |
| Transfers to other schemes payable | - | - | - |
| H M Revenue & Customs | (368) | - | (368) |
| | (1,071) | - | (1,071) |

The transfers payable to other schemes at 31 December 2020 represent transfers paid as part of the Enhanced Transfer Value exercise where the member signed their option form before 31 December 2020, but the payment was not made until after the year end.

## 26. Related party transactions

**Key Management Personnel**

Transactions with related parties of the Fund have been disclosed in the Financial Statements as follows:

Adrian Cooper, Alex Spain, David Mayes, Simon Meadows, Glenn Wellman and Paul Brine were paid a fee of £131,500 (2019: £128,000) for their services as Trustee Directors. This fee is paid by the Employer and not recharged to the Fund. Fees paid to the Independent Trustee, Law Debenture Pension Trust Corporation Plc, are disclosed in note 10.

For completeness, four Trustee Directors are in receipt of pensions in payment from the Fund (2019: 3 Trustee Directors). One Trustee Director is an active member of the Fund (2019: 1 Trustee Director) and is also employed by the Company. Three Trustee Directors are deferred members of the Fund (2019: 4 Trustee Directors), one Trustee retiring since the year end. In addition, at 31 December 2020 and 31 December 2019 the spouse of one of the Trustee Directors was a deferred member of the Fund.

## 27. Contingent liabilities and contractual commitments

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. In 2020 the High Court ruled that transfers out since 17 May 1990 must also be equalised for any impact of GMP. These rulings are not expected to result in any additional liability becoming material. The Trustee is now reviewing, with their advisors, the implication of these rulings on the Fund and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Fund and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

In the opinion of the Trustee, the Fund had no other contingent liabilities or capital commitments at 31 December 2020.

## 28. Subsequent events/Covid-19

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Fund’s investment portfolio, the operational impact on the Fund and the covenant of the Employer.

The extent of the impact on the Fund’s investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

Since the year end, the value of the Fund’s investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change in market value of investment asset and investment liabilities as the situation is fluid and unpredictable and therefore such an estimate cannot be made.

# Actuarial certification of the schedule of contributions

**Name of scheme:** **Credit Suisse Group (UK) Pension Fund**

## Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 31 December 2017 to continue to be met for the period for which the schedule is to be in force.

## Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated January 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were wound up.

| | | | |
|---|---|---|---|
| Signature | Philip Dennis | Date: | 14 January 2021 |
| Name | Philip Dennis | Qualification: | Fellow of the Institute and Faculty of Actuaries |
| Address | 3 The Embankment<br>Sovereign Place<br>Leeds<br>LS1 4BJ | Name of employer: | Aon Solutions UK Limited |

# Schedule of Contributions

This schedule of contributions has been prepared by the Trustee to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of Philip Dennis, the Scheme Actuary and after obtaining the agreement of Credit Suisse International ("the Company") on behalf of all the Employers which participate in the Fund. It covers contributions to the Fund from all Employers who participate in the Fund from time to time.

This schedule comes into effect on the date it is certified by the Scheme Actuary and covers a period of five years.

**1. DC Plus**

The Employers will pay contributions monthly to the Fund in accordance with the rates detailed below except that, for members who participate in a flexible benefits arrangement, the level of contributions will be in accordance with the contributions selected by the members as part of that arrangement, subject to any over-riding auto-enrolment legislation. The contributions will fall due on the last day of the calendar month to which they relate, and will be paid on or before the 19th of the subsequent month.

| **Member's age at start of month to which the contribution relates** | **Employer's contribution % of Pensionable Salary** |
|---|---|
| Less than 40 | 10.5 |
| 40 or more but less than 50 | 13.0 |
| 50 or more but less than Normal Retirement Age | 15.5 |

For certain members, the contributions payable by the Employers are not as described above but are as agreed with the members by their Employer from time to time. The Company has provided the Trustee with (and will keep updated) a list recording the contributions payable in such cases.

**1a. Offset from DC Plus contributions**

As part of an Enhanced Transfer Value (ETV) exercise being carried out in 2020 and 2021 it has been agreed that the Employers will directly meet certain costs relating to the provision of Independent Financial Advice to the Fund's members.

The Trustee and the Company have agreed that the contributions payable in respect of DC Plus members will be reduced by an amount representing the Independent Financial Advice (IFA) costs met by the Employers as part of this exercise.

The Trustee and the Company have agreed that the reductions in respect of the initial IFA costs will apply over the period from September 2020 to June 2021 as follows:

| Month | Offset from DC Plus contributions |
|---|---|
| September 2020 | £173,673.00 |
| October 2020 | £173,673.00 |
| November 2020 | £173,673.00 |
| December 2020 | £313,953.00 |
| January 2021 | £128,400.00 |
| February 2021 | £128,400.00 |
| March 2021 | £128,400.00 |
| April 2021 | £128,400.00 |
| May 2021 | £128,400.00 |
| June 2021 | £128,400.00 |

It is possible that a revised schedule of contributions will be put in place later in 2021 depending on the actual IFA costs that are incurred.

For the avoidance of doubt:

- Members' accounts will still be credited with the appropriate % of Pensionable Salary, as described in section 1 of this schedule of contributions. The additional amounts in respect of the offsets will be funded from the Fund's other assets.
- If the amount due from the Employers in a particular month, after the offset is applied, is negative, then no contributions will be due from the Employers in respect of that month.

**2. Other contributions**

- From 31 March 2019 until 31 March 2022, administration expenses, PPF levies and other statutory levies will be paid by the Fund and the Fund will meet the cost of providing death in service pensions. The Employers may pay additional contributions in respect of expenses for certain one-off projects from time to time as agreed between the Trustee and the Company.

- Prior to 1 April 2019 and from 1 April 2022, in respect of administration expenses, PPF levies and other statutory levies, the Company will pay such expense contributions as have been agreed between the Trustee and the Company in line with the Trustee's annual budget (excluding Trustee Director fees which are paid directly by the Company). These contributions will be payable quarterly and will be paid in the first month of the calendar quarter following the quarter to which they relate. From 1 April 2022 if actual expenses paid by the Fund over a calendar year (or part year for 2022) exceed the expense contributions paid in respect of that period then the Company will pay an additional contribution in respect of the shortfall. This additional contribution will be payable in January of the year following the year to which the catch up payment relates.

- Prior to 1 April 2019, in respect of pensions provided on death in service, each Employer will pay 0.9% of Pensionable Salaries. Alternatively a greater amount may be paid as may be agreed from time to time. These contributions will fall due on the last day of the calendar month to which they relate, and will be paid on or before the 19th of the subsequent month.

- From 1 April 2022, in respect of pensions provided on death in service, each Employer will pay 1.5% of Pensionable Salaries. Alternatively a greater amount may be paid as may be agreed from time to time. These contributions will fall due on the last day of the calendar month to which they relate, and will be paid on or before the 19th of the subsequent month.

- The premiums required to insure any lump sum death in service benefits will be paid directly by the Participating Employers and do not appear on this schedule. If for any reason the Participating Employers do not pay the premiums, and so the premiums need to be paid from the Fund, the Participating Employers will between them reimburse the Fund for the amounts paid within 19 days of the Trustee requesting reimbursement.

- For the avoidance of doubt, investment management expenses are met directly from the Fund’s assets and no contributions are paid in respect of investment management expenses.

**3. Contributions by active members:**

Members are not required to pay contributions to the Fund. Employees can choose to pay Voluntary Contributions.

**4. Definition of Pensionable Salary**

For the purpose of this schedule, Pensionable Salary is defined under the Rules of the DC Plus Section of the Fund (and is normally basic salary as notified by the Employers to the Trustee from time to time, but is restricted to the Fund Earnings Cap for members who commenced Pensionable Service after 31 May 1989 except for members who were in the BZW Money Purchase Section on 31 March 2004).

For the avoidance of doubt, for the purpose of this schedule, the definition of Pensionable Salary does not include any payments made in lieu of salary when employment is terminated before the end of the member's notice period.

**5. Other information**

Any surplus which emerges as a result of members leaving early and receiving a refund of their own contributions will be used to help fund administrative expenses.

Signed on behalf of the Company

Name: Caroline Waddington

Position: CSi CSSEL
Date: 13 January 2021

Name: Ahmed Kubba

Position: CSi CSSEL COO
Date: 13 January 2021

Note: The Company has been nominated as the employers' representative for this purpose.

Signed on behalf of the Trustee

Name: Simon Meadows

Position: Trustee Director
Date: 13 January 2021

Name: Glenn Wellman

Position: Trustee Director
Date: 13 January 2021

# Trustee's Summary of Contributions

## Payable under the Schedules of Contributions in respect of the Fund year ended 31 December 2020

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of, the Trustee. It sets out the employer and employee contributions payable to the Fund for the year ended 31 December 2020 under the Schedules of Contributions (the "Schedules") certified by the Fund Actuary on 28 March 2019 and 16 September 2020. The Fund's auditors report on contributions payable under the Schedules in the Auditors' Statement about Contributions.

Contributions payable under the Schedules in respect of the year ended 31 December 2020 were as follows:

| | DB £'000 | DC £'000 |
|---|---|---|
| Employer | | |
| Normal contributions | - | 11,473 |
| **Contributions payable under the Schedules (as reported on by the Fund Auditors)** | **-** | **11,473** |
| Additional employer contributions | - | 43 |
| **Total contributions reported in the financial statements** | **-** | **11,516** |

Employer normal contributions include employee contributions paid under salary sacrifice arrangements.

**Approved by the Trustee and signed on behalf of Credit Suisse First Boston Trustees Limited by:**

Glenn Wellman

Date: 15-Jul-2021 | 17:06 BST

**On behalf of the Trustee**

# Independent auditors' statement about contributions to the Trustee of Credit Suisse Group (UK) Pension Fund

## Statement about contributions

### Opinion

In our opinion, the contributions payable under the schedules of contributions for the Fund year ended 31 December 2020 as reported in Credit Suisse Group (UK) Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Fund actuary on 28 March 2019 and 16 September 2020.

We have examined Credit Suisse Group (UK) Pension Fund's summary of contributions for the Fund year ended 31 December 2020 which is set out on the previous page.

### Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund under the schedules of contributions, and the timing of those payments.

### Responsibilities for the statement about contributions

#### Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Fund's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Fund by employers in accordance with relevant requirements.

#### Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

#### Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 15/7/21

# Statement of Investment Principles

This Statement of Investment Principles covers the defined benefit section of the Fund. It is set out to cover the objectives, strategy and risk as well as the Trustee's overall policy on issues including implementation and governance.

## 1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee Directors of the Credit Suisse Group (UK) Pension Fund ("the Trustee") on various matters governing decision s about the investments of the Credit Suisse Group (UK) Pension Fund ("the Fund"), a scheme with Defined Benefit ("DB") and Defined Contribution ("DC") sections; the Final Salary and Money Purchase Section, respectively. This SIP replaces the previous SIP dated September 2020.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Fund's Investment Adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Fund, and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Fund's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

- Appendix 2 sets out the Trustee's policy towards risk appetite, measurement and management

## 2. Investment objectives

### 2.1 Final Salary Section

The primary objective for the Final Salary Section is to ensure that the Fund should be able to meet benefit payments as they fall due. In practice, this means that the Trustee expects, with a high degree of confidence, that the Fund's assets meet its technical provisions plus a sufficient margin to allow for the possibility that future benefit obligations may exceed those assumed at the most recent valuation date ("self-sufficiency basis"), or (when there is a funding deficit on this basis) that there is an appropriate recovery plan in place and/ or that sufficient reserve assets (e.g. contingent contribution assets or assets held in escrow) are available to the Trustee to make up any shortfall.

To do so, the Trustee recognises that it must take into account the employer's position in relation to the Fund and, in particular, its attitude to risk.

In addition to this primary objective, the Trustee has a series of secondary objectives. These are as follows:

- The Fund's assets should deliver sufficient returns to achieve the long-term funding objective of full funding on a self-sufficiency basis by 2035. The Trustee looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving the return target.
- The Trustee invests in a range of asset classes with appropriate liquidity, security and diversification characteristics which seek to generate sufficient income and capital growth to meet the cost of benefits without any further contributions from the employer, given the current strong funding position.
- The Fund hedges interest rate and inflation risk arising from the Technical Provisions Value of the liabilities. Details of this, including the target level of hedging, are outlined in the Fund's Investment Policy Implementation Document.

### 2.2 Money Purchase Section

The Trustee's primary objectives for the Money Purchase Scheme are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Money Purchase Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

## 3. Investment Strategy

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the investment strategy for the Final Salary and Money Purchase Sections in 2016, taking into account the objectives described in Section 2 above.

### 3.1 Final Salary Investment Strategy

The investment strategy resulting from the review of the Final Salary Section is outlined in the Investment Policy Implementation Document ("IPID").

The Trustee expects to use any future employer contributions and disinvestments to rebalance the Fund's assets to match the target asset allocation within agreed tolerances. The progress against the target asset allocation is monitored on a quarterly basis.

### 3.2 Money Purchase Investment Arrangements

For the Money Purchase Section of the Fund, the Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy (i.e. it automatically combines investments in proportions that vary according to the time to retirement age). There are another two “lifestyle” investment strategies available to members, details of which can be found in the IPID.

The default option was designed to be in the best interests of the majority of the members based on analysis of the demographics of the Fund’s membership carried out when the strategy was reviewed in 2015. The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 10 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

The Trustee will monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

## 4. Considerations in setting the investment arrangements

When deciding how to invest the Fund’s assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumption underlying the most recent review of strategy considered by the Trustee is that corporate bonds will outperform gilts by around 0.9% pa and UK property will outperform by around 3.3% pa.

Some of the Trustee’s key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value
- long-term environmental, social and economic sustainability is one of many factors that the Trustee should consider when making investment decisions; and
- costs have a significant impact on long-term performance.

### 4.1 Final Salary Section

In setting the strategy for the Final Salary Section the Trustee took into account:

- the Fund's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the best interests of members and beneficiaries;
- the circumstances of the Fund, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Fund's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

### 4.2 Money Purchase Section

In determining the investment arrangements for the Money Purchase Section the Trustee took into account:

- the best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

## 5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate IPID.

The Trustee has limited influence over mangers' investment practices, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

### 5.1 Money Purchase Section

In respect of the Money Purchase Section, the Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct contract between the Fund and the underlying investment managers of the Money Purchase Section investment funds.

The Trustee has signed agreements with the platform provider in respect of the Money Purchase Section setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Fund's investments.

The Trustee and investment managers, to whom discretion has been delegated, exercise their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

## 6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Fund within the portfolios that they manage, and in considerations relating to the liquidity of investments.

### 6.1 Final Salary Section

For the Final Salary Section, when appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. A working cash balance is held for imminent payment of benefits and expenses.

The Trustee's preference is for investments that are readily realisable, but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (e.g. property). In general, the Trustee's policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation (as set out in the accompanying IPID), and also receive income from some of the portfolios where appropriate.

### 6.2 Money Purchase Section

For the Money Purchase Section, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. The Fund Administrator will disinvest assets as instructed, according to members' entitlements.

## 7. Environmental, social, governance and ethical considerations

The Trustee has considered how environmental, social, governance ("ESG") should be taken into account in the selection, retention and realisation of investments since it recognises that these factors can be relevant to investment performance and are therefore considered as financial factors.

The Trustee considers it is necessary to act in the best financial interests of Fund members and therefore it expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations), taking into account the nature and time horizon of the investments. It seeks to appoint managers, with the assistance of its Investment Advisor, that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee cannot usually directly influence investment managers' policies on ESG and ethical factors where assets are held in pooled funds; this is due to the nature of these investments . The Trustee seeks to encourage its managers to improve their practices where appropriate through engaging with them on these issues.

The Fund's Investment Adviser reviews the fund managers' ESG polices on a regular basis as part of its manager research process. The Investment Adviser assigns a score from 1 (weak) to 4 (strong) taking into account the manager's approach to managing ESG-relating risks and its stewardship practices such as exercising voting rights and engaging with company management. The Trustee reviews the RI scores assigned to the funds used within the Fund's investment strategy on an annual basis and before appointing new managers.

The Trustee also receives presentations from its managers on how ESG-related issues are taken into account in their investment processes at Investment Committee meetings. The Trustee will challenge the fund manager's approaches where appropriate and will report on ESG-related issues in relation to the Fund's investment strategy as part of its annual Implementation Statement.

The Trustee does not take into account any non -financial factors (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) when making investment decisions.

## 8. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects its investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

## 9. Additional voluntary contributions (AVCs)

The Fund has five AVC providers:

- Aegon Scottish Equitable
- Utmost Life and Pensions
- Phoenix Life Limited
- Prudential
- Standard Life

Members invest across a selection of With Profits and Unit Linked funds as part of these AVC arrangements.

## 10. Money purchase underpin

Certain categories of member have Final Salary benefits with a Money Purchase underpin, where the money purchase element is a notional money purchase fund and the value varies in line with the returns on the Fund's Final Salary assets.

**SIP signed for and on behalf of the Trustee of the Fund:**

**Signed:** Glenn Wellman **Date:** 26 January 2021

**Signed:** Simon Meadows **Date:** 26 January 2021

## 11. Appendix 1 – Investment governance, responsibilities, decision making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Fund overall. The Trustee's investment powers are set within the Fund's governing documentation.

### 1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting out the risk parameters, in consultation with the employer;
- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing, monitoring, reviewing and dismissing investment managers, investment advisers, Scheme Actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- Putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

### 2. Investment Committee

The Trustee has established an Investment Committee to focus primarily on investment matters. Details of Investment Committee duties and responsibilities are set out in the appended Investment Committee Terms of Reference.

### 3. Platform provider – money purchase section

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

### 4. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation.
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing the Trustee / investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

### 5. Investment Adviser

In broad terms, the Investment Adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- the Final Salary Section, advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- the Money Purchase Section, advising on a suitable fund range and default strategy for the Fund, and how material changes to legislation or within the Fund's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations) and;
- participating with the Trustee in reviews of this SIP.

The details of the Investment Adviser's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Investment Adviser.

### 6. Scheme Actuary

The Scheme Actuary is responsible for performing valuations for the Fund's Final Salary Section at least every three years, in accordance with regulatory requirements. The purpose of this is to:

- assess the extent to which the Fund's Final Salary Section assets cover the accrued liabilities; and
- to provide information that will assist the Trustee and employer in agreeing contribution rates.

The details of the Scheme Actuary's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Scheme Actuary.

### 7. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustee has agreed Terms of Business with the Investment Adviser, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receives fees calculated by reference to the market value of assets under management and also in some cases a performance related fee. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The Trustee has appointed a custodian in respect of some of the Fund's investments. The custodian fees are predominantly calculated on a fixed fee basis. The fee rates are believed to be consistent with the custodian's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Fund. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

### 8. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Fund's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

### 9. Working with the Fund's employer

When reviewing matters regarding the Fund's investment arrangements (such as the SIP), the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.

## 12. Appendix 2 – Policy toward risk

### 1. Final Salary Section

### 1.1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Fund in order to meet its investment objectives. Taking more risk is expected to mean that those objectives might be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee's aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- The strength of the employer's covenant and how this may change in the near/medium future;
- The Fund's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- The Fund's cash flow and target return requirements; and
- The level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Using assumptions as at September 2020, the Fund's 3 year 95% Value at Risk was £118m. This means that there is a 1 in 20 chance that the Fund's funding position will worsen by £118m or more over a three year period. The Trustee believes this level of risk to be appropriate for the investment strategy given the Trustee's and employer's risk appetite and capacity, given the Fund's objectives.

### 1.2 Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

#### 1.2.1 Risk of inadequate returns

For the Final Salary Section, a key objective of the Trustee is that, over the long-term, the Fund should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Fund to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Fund's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

### 1.2.2 Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Fund's assets. The Trustee believes that the Fund's Final Salary Section assets are adequately diversified between different asset classes and within each asset class. This was key consideration when determining the Fund's investment arrangements and is monitored by the Trustee on a regular basis.

### 1.2.3 Interest rate and inflation risk

The Final Salary Section's assets are subject to interest rate and inflation risk because some of the Fund's assets are held in bonds / interest rate swaps, as segregated investments. However, the interest rate and inflation exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities.

The Trustee considers interest rate, inflation and overseas currency risks to be generally unrewarded investment risks.

As a result, the Trustee aims to hedge the Fund's exposure to interest rate risk and the Fund's exposure to inflation risk (arising from the Technical Provisions value of the liabilities), by investing in a mixture of bonds as well as leveraged LDI arrangements managed by Insight Investment Management. The Trustee reviews the liability hedging arrangements periodically and may adjust the benchmark for the liability hedging portfolio so that it continues to provide an appropriate hedge for the Fund's liabilities. Details of the Fund's current hedging arrangements are outlined in the Fund's Investment Policy Implementation Document.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis. The Trustee will consult with the employer in respect of any proposed changes to the way that the hedging portfolio operates and, upon request; will provide the employer with a summary of any discussions held with the manager(s) of the Liability Hedging Portfolio in this regard.

### 1.2.4 Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund is subject to credit risk because it invests in bonds via segregated funds. The Trustee manages its exposure to credit risk by agreeing investment guidelines with the investment manager which ensure the relevant portfolios have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade" at purchase.

### 1.2.5 Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

### 1.2.6 Liquidity/marketability risk

For the Final Salary Section, this is the risk that the Fund is unable to realise assets to meet benefit cash flows as they fall due, or that the Fund will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Fund's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Fund's investments and by investing in income generating assets, where appropriate.

### 1.2.7 Collateral adequacy risk

The Fund is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Fund's interest rate and inflation hedging could be reduced and that the Fund's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Fund has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

### 1.2.8 Swaps, and other derivative instruments

Within the Final Salary Section there are risks associated with Over the Counter ("OTC") and Exchange Traded derivatives, which include (but may not be limited to) counterparty, liquidity and leverage risks. The Trustee has appointed investment managers to manage these risks and actively collateralise any positions to reduce the risk of counterparty default to the Fund. The Trustee is aware that derivative instruments may not be transparent in their pricing and OTC elements may have limited liquidity.

### 1.2.9 Currency risk

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge currency exposure or implements separate currency hedging arrangements.

### 1.2.10 Stock lending risk

The Trustee has taken steps to manage the risks associated with the appointed investment managers or the custodian lending the assets of the Fund to third parties. The Trustee recognises that this can be a source of incremental returns and are comfortable with appointed investment managers and custodian engaging in stock lending provided that there are appropriate controls in place.

### 1.2.11 Risk from excessive charges

The Trustee is comfortable that the charges applicable to the Fund are in line with market practice and assess regularly whether these represent good value for members.

### 1.2.12 Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

### 1.2.13 Other non-investment risks

The Trustee recognise that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as practical in setting the Fund's investment arrangements as part of its assessment of the other aspects of the Fund's Integrated Risk Management framework, namely funding and covenant.

Examples for the Final Salary Section include:

- funding risk (the risk that the agreed funding plan is not borne out in practice); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Fund as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Fund's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress towards the Fund's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

## 2. Money purchase section

### 2.1 Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

#### 2.1.1 Risk of inadequate returns

In the Money Purchase Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

#### 2.1.2 Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect assets. The Trustee believes that the Fund's Money Purchase default strategy is adequately diversified between different asset classes and within each asset class and the Money Purchase options provide a suitably diversified range for members to choose from. This was key consideration when determining the Fund's investment arrangements and is monitored by the Trustee on a regular basis.

#### 2.1.3 Liquidity/marketability risk

For the Money Purchase Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

#### 2.1.4 Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

#### 2.1.5 Risk from excessive charges

Within the Money Purchase Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Fund are in line with market practice and assess regularly whether these represent good value for members.

#### 2.1.6 Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Money Purchase Scheme is subject to credit risk because a number of options available to members invest in bonds. Credit risk is mitigated by the investment managers ensuring that the relevant portfolios have a diversified exposure to different credit issuers.

### 2.1.7 Currency risk

The Money Purchase Section is subject to currency risk because some of the options available involve investing in overseas markets. Members should consider their overseas currency exposure in the context of their overall investment strategy. The Trustee believes that the currency exposure that exists within the default strategy diversifies the strategy and is appropriate. Furthermore, a number of the options available manage the amount of currency risk by hedging currency exposure.

### 2.1.8 Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to provide investment options to the Money Purchase Section which will manage these risks appropriately on members' behalf and from time to time the Trustee reviews how these risks are being managed in practice.

### 2.1.9 Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as practical.

For the Money Purchase Section, the Trustee has conducted due diligence into areas such as the structure of funds available to members, risk management processes of the fund managers and custodian arrangements. The Trustee is therefore satisfied with the security of assets held within this section and believes that the impact of the Financial Service Compensation Scheme not applying in certain circumstances is a relatively remote risk.

# Other Information

**Introduction**

The Fund is a hybrid scheme incorporating Defined Benefit and Defined Contribution sections.

The registration number in the Register of Occupational and Personal Pension Schemes is **10146102**.

(i) The Trustee is required to provide certain information about the Fund to the Pension Tracing Scheme. This has been forwarded to:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

(ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an Occupational pension scheme. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

**(iii)** The Money and Pensions Service deals with general requests for information or guidance **concerning pension arrangements and can be contacted at:**

The Money and Pensions Service
120 Holborn
London
EC1N 2TD

(iv) The Pensions Regulator (tPR) is the UK regulator of work-based pension schemes.

The Pensions Act 2004 gives the Pensions Regulator a set of specific objectives:

- to protect the benefits of members of work-based pension schemes;
- to promote good administration of work-based pension schemes; and
- to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

tPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

(v) The Pension Protection Fund was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Pension Protection Fund is funded by a levy on occupational pension schemes.

(vi) The Trust Deed and Rules, the Fund details and a copy of the Schedule of Contributions, Statement of Investment Principles, Statement of Funding Principles and Recovery Plan are available for inspection free of charge by contacting the Trustee c/o the COO at the address shown on page 2 of this annual report.

Any information relating to the member's own pension position, including estimates of transfer values should be requested from the administrator of the Fund, Fidelity, at the address shown on page 2.

# Implementation Statement, covering 1 January 2020 to 31 December 2020

The Trustee of the Credit Suisse Group (UK) Pension Fund (the "Fund") is required to produce a yearly Implementation Statement (the "Statement") to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the period from 1 January 2020 to 31 December 2020 (the "Fund year"), as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-12 below. This statement has been prepared in line with the Department of Work and Pensions 2018 Disclosure Amendment regulations.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, Trustee (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 13 below.

**This Statement is based on the relevant SIP that was in place for the Fund during the Fund Year - the SIP dated 17 December 2019 between 1 January 2020 and 15 September 2020 and the SIP dated 16 September 2020 between 16 September 2020 and 31 December 2020 and should be read in conjunction with these SIPs.**

**This statement incorporates the Final Salary ("FS") Section and the Money Purchase ("MP") Section.**

## 1. Introduction

The SIP was reviewed and updated during the Fund year on 16 September 2020. The main changes are set out below:

### FS Section

- Details surrounding the target level of hedging for interest and inflation risk were moved to the Fund's Investment Policy Implementation Statement ("IPID").
- Update value at risk ("VaR") estimates as at 30 September 2020.

### MP Section

- Updates to the additional voluntary contribution providers in the Fund. In particular, the provider MGM was removed from the SIP as there were no longer any members in the Fund invested with MGM. The provider Equitable was changed to Utmost Life and Pensions following the transition of policies held with Equitable to Utmost Life and Pensions. Please note, since January 2021, no policies remain invested with Utmost Life and Pensions and Aegon as these have been transferred to the Fund's main DC arrangement with Fidelity. The Trustee will update the SIP to reflect this during 2021.

### Both Sections of the Fund

- Inclusion of statements on financial and non-financial matters, and how the Trustee undertakes engagement activities, as required by legislation. This was following a meeting in which the Trustee reviewed its beliefs on environmental, social and governance ("ESG") matters and its updated beliefs were then reflected in the SIP.

As part of this SIP update, the principal employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Fund's new and existing managers and funds over the period, as described in Section 7 (Financially material considerations and non-financial matters) below. The following Sections provide detail and commentary about how and the extent to which they did this.

## 2. Investment objectives

### FS Section

The primary objective for the Final Salary Section is to ensure that the Fund should be able to meet benefit payments as they fall due. In practice, this means that the Trustee expects, with a high degree of confidence, that the Fund's assets meet its technical provisions plus a sufficient margin to allow for the possibility that future benefit obligations may exceed those assumed at the most recent valuation date ("self -sufficiency basis"), or (when there is a funding deficit on this basis) that there is an appropriate recovery plan in place and/ or that sufficient reserve assets (e.g. contingent contribution assets or assets held in escrow) are available to the Trustee to make up any shortfall.

There are a number of additional secondary objectives, which are outlined in the SIP. As at 31 December 2020 the Fund was in a strong position relative to its objectives.

### MP Section

The performance and strategy of the default lifestyle strategy (the "Default") is reviewed at least every three years. The last review was carried out in August 2018. As part of this review, the Trustee considered the demographics of the Fund's membership, including how members were accessing their benefits at retirement, and whether the Default remained appropriate.

Following this review, the Trustee concluded that the Default has been designed to be in the best interests of the majority of the MP Section members and reflects the demographics of those members.

The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enables appropriate diversification. This includes two alternative lifestyle strategies and a number of self-select funds. After the last review in August 2018, the Trustee agreed to reduce the self-select fund range from 22 to 16 funds to avoid duplication of fund options within the range.

The next strategy review is due to be carried out in Q2 2021. This will include detailed membership analysis along with a review of the Default, alternative lifestyle strategies and self-select fund range.

## 3. Investment strategy

### FS Section

The Trustee did not review the FS Section investment strategy over the period, although there were a few minor adjustments made to the portfolio (such as marginally altering hedging levels).

### MP Section

The Trustee did not review the Default over the period but did review, with the help of its adviser, the range of ESG and Low Carbon funds available in the market with a view to adding one to the self-select fund range in the future, if appropriate.

## 4. Considerations in setting the investment arrangements

### Both Sections of the Fund

During the Fund year, the Trustee's investment adviser, LCP, facilitated a discussion amongst the Trustee Directors on ESG beliefs and redrafted the ESG policy statement in the SIP.

### FS Section

When deciding how to invest the Fund's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2 of the SIP. It also considers a wide rang of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

### MP Section

When the Trustee undertook a performance and strategy review of the Default in August 2018, it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

## 5. Implementation of the investment arrangements

### Both Sections of the Fund

LCP monitors the investment managers on an ongoing basis, through regular research meetings. LCP informs the Trustee promptly about any significant updates or events they become aware of with regard to the Fund's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the assets the Fund invests in, or any material change in the level of diversification in the funds.

The Trustee monitors the performance of the Fund's investment managers on a quarterly basis, using the quarterly performance monitoring reports produced by LCP.

The Trustee was comfortable with all of its investment manager arrangements over the Fund year.

### FS Section

The Trustee regularly invites the Fund's investment managers to present at Trustee meetings, seeing each manager approximately once every two years.

The Trustee monitors the performance of the Fund's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each manager over the quarter, 1 year and 3 years (where applicable). Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

### MP Section

The Trustee has entered into a contract with a platform provider, Fidelity, who makes available the range of investment options to members. As all the funds are accessed via an insurance agreement with the Fund's platform provider, there is no direct legal relationship between the Fund and the underlying investment managers of the MP Section investment funds. Nevertheless, the Trustee is responsible for appointing and providing governance oversight of the managers which the Fund accesses via the Fidelity arrangement.

The quarterly DC report shows the performance of each manager over the quarter, 1 year and 3 year (annualised) performance. The most recent report shows that all managers have produced performance broadly in line with expectations over the longer term, except for the BlackRock Japanese Equity Index Fund, which has significantly outperformed its benchmark. BlackRock confirmed this is because the fund tracks a net benchmark which assumes the highest statutory rate of withholding tax. Whereas the fund benefits from not having to pay this full rate of tax given its structure.

Over the period, the Trustee undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the MP Section which were found to be highly competitive for a bundled trust-based arrangement.

## 6. Realisation of investments

### FS Section

When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. A working cash balance is held for imminent payments of benefits and expenses.

The Trustee receives income from the credit portfolios held with Insight, M&G and PIMCO which is retained in the Northern Trust cash account and used towards paying benefit payments when needed (by transferring proceeds to the Trustee bank account when required).

### MP Section

It is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the funds which the Trustee offers are daily priced in normal market environments. However, the Threadneedle Property Fund was temporarily suspended from trading between 20 March 2020 and 16 September 2020 due to adverse market conditions caused by the Covid-19 pandemic. Between these dates, members contributions were redirected to the BlackRock Cash Fund (recently renamed BlackRock Money Market Fund).

## 7. Financially material considerations and non-financial matters

### Both Sections of the Fund

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In February 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Fund's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

### FS Section

Following the review the Trustee decided to contact the managers of the Fund's three credit portfolios (M&G, Insight and PIMCO) in order to obtain further information regarding their respective approaches to ESG. This involved reviewing a report produced by LCP, which outlined the responsible investment credentials of each manager against a variety of well-established ESG criteria.

PIMCO was invited to present to the Trustee on ESG during the year. The Trustee asked several questions about the manager's ESG and engagement practices and were satisfied with the answers they received. Other managers may be reviewed at future meetings.

### MP Section

The Trustee was satisfied with the results of the review for the MP Section and no further action was taken.

When BlackRock presented to the Trustee during the year, the Trustee asked several questions about the managers' ESG, voting and engagement practices. It was noted that BlackRock's voting disclosures have been enhanced in 2020 and engagement and stewardship will continue to be an important area of focus for BlackRock in the future. Following the presentation, the Trustee requested a copy of BlackRock's 2019 Annual Engagement and Voting Statistics report which provided more detailed information on how BlackRock had voted in different regions.

The Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore it has made available the L&G Ethical UK Equity Index Fund as an investment option to members.

As mentioned in Section 3, during the Fund year, the Trustee reviewed ESG and Low Carbon equity fund options with a view to add a suitable fund to the self-select fund range to increase member choice in the responsible investment space.

## 8. Voting and engagement

This is covered in Section 7 above.

### 9. Additional voluntary contributions (AVCs)

There are no policies in this section of the SIP.

### 10. Money purchase underpin

There are no policies in this section of the SIP.

### 11. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

#### Both Sections of the Fund

As mentioned in Section 5, the Trustee assesses the performance of the Fund's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for LCP and will review the adviser's performance against these objectives on a regular basis (the first review was carried out during Q4 2020).

LCP provided training to the Trustee on various topics, including requirements of the Implementation Statement and climate risk disclosures, during the Fund year.

### 12. Policy towards risk (Appendix 2 of SIP)

#### Both Sections of the Fund

Risks are monitored on an ongoing basis with the help of LCP.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of LCP or information provided to the Trustee by the Fund's investment manager. These risks are included in Appendix 2 of the SIP and include, but are not limited to, credit risk, liquidity risk and currency risk.

The following risks are covered earlier in this Statement: diversification risk in Sections 2 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

During September 2020, LCP provided the Trustee with training on upcoming climate-related legislation and actions the Trustee could take to identify and monitor the Fund's climate-related risks and opportunities.

#### FS Section

For the Final Salary Section, a key objective of the Trustee is that, over the long-term, the Fund should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Fund to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Fund's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

The Fund's interest and inflation hedging levels are monitored on an ongoing basis. Over the period the Fund's hedging levels were broadly in line with the target levels.

With regard to collateral adequacy risk, the Trustee ensures the Fund has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Fund's funding position as part of its quarterly actuarial and investment report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience.

### MP Section

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the Default and are also made available within the self-select fund range. These funds are expected to produce adequate real returns over the longer term.

The Trustee expects fund managers to ensure that their relevant portfolios have a diversified exposure to different credit issuers. This allows the Trustee to mitigate credit risk.

Currency risk is also mitigated through a diverse currency exposure in the default strategy. The Trustee does not hedge any of the overseas currency holding back to Sterling.

The Trustee recognises that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as practical. The Trustee conducts due diligence into areas such as the structure of funds available to members, risk management processes of the fund managers and custodian arrangements.

## 13. Description of voting behaviour during the year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercising of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee has not used proxy voting services over the year.

In this section we have sought to include voting data on the Fund’s assets that hold equities, as confirmed below.

### FS Section

- The FS section is not invested in any funds that holds physical equities.

### MP Section

For the MP Section we have included only the funds used in the Default over the Fund year and not any self-select funds. Given that majority of members are invested in the Default, the Trustee believes this approach is reasonable. We have included voting data on the funds that hold equities which is just the BlackRock Global Equity 50:50 Index Fund.

### 13.1. Description of the voting processes

#### MP Section

#### BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally-developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits.

BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass, Lewis & Co, this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

### 13.2. Summary of voting behaviour over the year

**A summary of voting behaviour over the period is provided in the table below.**

| | Fund |
|---|---|
| Manager name | BlackRock |
| Fund name | BlackRock Global Equity 50:50 Index Fund |
| Total size of fund at end of reporting period | £6,275 million |
| Value of Fund's assets at end of reporting period | £789 million |
| Number of holdings at end of reporting period | 2,446 |
| Number of meetings eligible to vote | 2,715 |
| Number of resolutions eligible to vote | 35,222 |
| % of resolutions voted | 95.1% |
| Of the resolutions on which voted, % voted with management[1] | 94.3% |
| Of the resolutions on which voted, % voted against management[1] | 5.7% |
| Of the resolutions on which voted, % abstained from voting[1] | 0.4% |
| Of the meetings in which the manager voted, % with at least one vote against management | Not available[2] |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | Not available[2] |

Source: BlackRock from 1 January 2020 to 31 December 2020

[1]Please note, the rows in the table above for "Of the resolutions on which voted, % voted with management", "Of the resolutions on which voted, % voted against management" and "Of the resolutions on which voted, % abstained from voting" may not sum to 100% exactly. This is due to:

- rounding of data provided by the underlying investment manager; or
- the percentage figures shown for voting with and against management makes an allowance for where the manager has abstained from voting; or
- if there were multiple vote strings for a given meeting, any proposal where the manager voted differently for separate vote strings are counted twice.

[2]BlackRock has been unable to provide this data item and has stated that this data is not available as it does not follow any single proxy research firm's voting recommendations and is currently subscribed to two research firms. BlackRock's voting and engagement analysis is determined by several key inputs including a company's own disclosures, and BlackRock's record of past engagements.

### 13.3. Most significant votes over the year

**MP Section**

We have shown the votes BlackRock considers to be the most significant over the period. BlackRock assesses significant votes on a case-by-case basis and publishes the reasoning in its investment bulletins.

- **Exxon Mobil Corporation, United States, 27 May 2020**

  **Summary of resolutions:** (Item 1.2) Elect Director Angela F.Braly. (Item 1.4) Elect Director Kenneth C.Frazier. (Item 4) Require Independent Board Chair.

  **Vote:** Item 1.2 – Against, Item 1.4 – Against and Item 4 – For

  **Rationale:** BlackRock voted against director Angela F.Braley for insufficient progress on Task Force on Climate-related Financial Disclosures (TCFD) aligned reporting and related action. BlackRock also voted against director Kenneth C.Frazier for insufficient progress on TCFD aligned reporting and related action and for failure to provide investors with confidence in the board members' skillset. BlackRock voted in favour of an independent Board Chair on account of its belief that the Board would benefit from a more robust independent leadership structure.

- **Royal Dutch Shell plc, United Kingdom and Netherlands (dual-listed), 19 May 2020**

  **Summary of resolution:** Request for Shell to set and publish targets for greenhouse gas emissions.

  **Vote:** Against

  **Rationale:** The Shareholder proposal requested that Shell set and publish targets aligned with the Paris Agreement. BlackRock has been engaged with Shell on its climate commitments for a number of years and has worked with Shell to upgrade its climate commitments following this proposal. BlackRock believes that no single oil and gas company is fully in control of the global energy mix and hence, some of these commitments will only be achievable if other stakeholders such as policymakers take action on reducing demand for fossil fuels.

- **Chevron Corporation, United States, 27 May 2020**

  **Summary of resolution:** Report on climate lobbying aligned with Paris Agreement goals.

  **Vote:** For

  **Rationale:** BlackRock voted for this proposal as greater transparency into the company's approach to political spending and lobbying is aligned with its stated support for the Paris Agreement and will help articulate consistency between private and public messaging.

- **Woodside Petroleum Ltd, Australia, 30 April 2020**

  **Summary of resolutions:** (Item 4a) Special resolution to amend the company constitution. (Item 4b) Ordinary resolution on Paris goals and targets. (Item 4c) Ordinary resolution on climate related lobbying. (Item 4d) Ordinary resolution on reputation advertising activities.

  **Vote:** Against for all proposals

  **Rationale:** BlackRock believes shareholder proposals should be used as a tool after engagement has failed which it believes is not the case with Woodside. Hence, it voted against proposal 4a. BlackRock voted against proposal 4b as it believes that the company already addresses most of these points. BlackRock voted against proposal 4c as it believes Woodside's lobbying is consistent with its public position on climate change. BlackRock has also voted against proposal 4d as it believes that Woodside provides adequate transparency on its advertising activities and the community groups that it supports.

- **Mizuho Financial Group, Japan, 25 June 2020**

  **Summary of resolution:** Shareholder proposal to amend articles to disclose plan outlining the Company's business strategy to align investments with the Paris Agreement goals.

  **Vote:** Against

  **Rationale:** BlackRock voted against the proposal as the independent fiduciary determined that the company has policies in place that address the issues raised in the proposal.

- **Volkswagen AG, Germany, 30 September 2020**

  **Summary of resolutions:** Multiple resolutions regarding members of the Board of management and the supervisory Board who held office in fiscal year 2019.

  **Vote:** Against all proposals

  **Rationale:** BlackRock voted against the discharge of members of the board of management who were already serving at the time of the emissions incident. BlackRock's approach is to hold those individuals accountable for the deficiencies in Volkswagen's governance practices and management of its material risk. BlackRock voted against the discharge of several members on the supervisory board because of the insufficient level of independence for the board and the sub-committees. BlackRock also voted against the re-election of a supervisory board member who would reach a tenure of 12 years during the course of this new mandate, if approved.

- **Barclays Plc, United Kingdom, 7 May 2020**

  **Summary of resolutions:** (Item 29) Approve Barclays' commitment to tackling climate change. (Item 30) Approve share action requisitioned resolution.

  **Vote:** Item 29 – For and Item 30 – Against

  **Rationale:** BlackRock voted through its independent fiduciary on these resolutions. The fiduciary voted for Barclays' climate change resolution and against the shareholders resolution because the company had set a clear ambition to become net-zero and align to the Paris Agreement goals, addressing shareholders' concerns for the time being.

- **AGL Energy Ltd, Australia, 7 October 2020**

  **Summary of resolution:** Approve coal closure dates.

  **Vote:** For

  **Rationale:** BlackRock believes the company and its shareholders would benefit from a continued focus on long-term strategic planning covering several decades.

- **Korea Electric Power Corp, South Korea, 9 November 2020**

  **Summary of resolution:** (Item 1.2) Elect Choi Young-ho as an inside director. (Item 2) Elect Choi Young- ho as a member of the audit committee.

  **Vote:** For both proposals

  **Rationale:** Whilst BlackRock is concerned by some of the past actions of the company, it voted for the nominee as BlackRock believe he is not responsible for the company's past decisions.

- **Toshiba Machine Co. Ltd (Shibaura Machine Co. Ltd as of 1 April 2020), Japan, 27 March 2020**

  **Summary of resolutions:** (Item 1) Approval regarding introduction of response policies for the tender offer. (Item 2) Allotment of share options without contribution.

  **Vote:** For both proposals

  **Rationale:** BlackRock voted for the tender offer proposal after comparing the conditions of the tender with the long-term vision and the mid-term action plans of the company. BlackRock voted for the allotment of share options as it believes it was in the interest of its clients and satisfied its stringent requirement which are designed to prevent the plan being used as a tool for management entrenchment.