

**Basel III**

Pillar 3 – UK Remuneration Disclosures

2019

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## 1. Overview

These disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standards and the EBA's Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA Guidelines). They are made in respect of the remuneration period ending 31st December 2019 with respect to the following Credit Suisse Group AG ('the Group') UK subsidiaries:

- Credit Suisse International ("CSI")
- Credit Suisse Securities (Europe) Limited <sup>1</sup> ("CSSEL")
- Credit Suisse (UK) Limited ("CSUKL")
- Credit Suisse Asset Management Limited <sup>2</sup> ("CSAML")
- Aventicum Capital Management (UK) LLP ("ACMLLP")

The Group is committed to responsible compensation practices. The need to reward the Group's employees fairly and competitively based on performance is balanced with the requirement to do so within the context of principled behavior and actions, particularly in the areas of risk, compliance, control, conduct and ethics. Compensation contributes to the achievement of the Group's objectives in a way that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, taking into account the capital position and economic performance of the Group over the long term.

The Group Compensation Policy applies to all employees and compensation plans of the Group. Consistent with prior years, our key objectives are to maintain Compensation Policy that:

- fosters a performance culture based on merit that differentiates and rewards excellent performance, both in the short and long term, and recognizes the Group's values;
- enables the Group to attract and retain employees, and motivate them to achieve results with integrity and fairness;
- balances the mix of fixed compensation and variable compensation to appropriately reflect the value and responsibility of the role performed, and to influence appropriate behaviours and actions;
- promotes, effective risk management practices that are aligned with the Group's compliance and control culture;
- creates a culture that encourages high conduct and ethics standards through a system of applying both malus and rewards;
- encourages teamwork and collaboration across the Group;
- achieves a balanced distribution of profits between employees and shareholders over the long term, subject to Group performance and market conditions;
- takes into account the long-term performance of the Group, in order to create sustainable value for the Group's shareholders; and
- is approved by the Board of Directors and includes requirements set out in the Group Compensation Committee Charter, which is regularly monitored to ensure adherence to the specified terms.

The Compensation Policy adheres to the compensation principles set out by the Swiss Financial Market Supervisory Authority (FINMA) and similar guidelines adopted by other regulators in locations where the Group has operations.

## 2. Compensation Governance

Credit Suisse Group has a policy of a clear separation of responsibilities between the recommendation, review and approval of compensation plans. The Group Board of Directors is responsible for the implementation of the Compensation Policy as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses. The Compensation Committee reviews proposals regarding compensation of the Group, compensation payable to members of Board and Executive Board, the head of Internal Audit and certain other members of senior management, and makes recommendations to the Board for approval, assisted by an independent external consultancy. The Compensation Committee's Charter is available [here](#).

Credit Suisse Group additionally has UK-specific Advisory Remuneration Committees ("RemCos") for Credit Suisse International and Credit Suisse Securities (Europe) Limited, as well as for Credit Suisse (UK) Limited. The Advisory RemCos have a specific duty to advise and make recommendations to the Group Compensation Committee on matters for which the Compensation Committee is responsible under the PRA Rulebook (the "Rulebook") and the FCA Handbook (the "Handbook"), specifically on compliance of the Group Compensation Policy with all relevant UK compensation regulations.

1. Part of the consolidated group headed by Credit Suisse Investments (UK)

2. Part of the consolidated group headed by Credit Suisse Asset Management (UK) Holding Limited

Internal Audit, as part of standard procedures, conducts regular reviews of compensation practices to ensure that Compensation Policy and Implementation Standards, external regulations and guidelines are adhered to, and that processes for achieving and maintaining balanced incentive compensation arrangements are consistently followed.

### 3. Compensation Structure and Instruments

The Group takes a Total Compensation approach, based on two principle components: fixed compensation and variable compensation. The mix of fixed and variable compensation is designed to ensure adequate consideration of risk and conduct in compensation decisions, and varies according to the employee's position and role within the Group. For example, the targeted compensation mix of individuals working in control functions is designed to have a higher proportion in fixed compensation, and a smaller proportion in variable compensation. While, those on the revenue-generating side will typically have a higher proportion in variable compensation.

Additionally, in accordance with the Capital Requirements Directive IV ("CRD IV"), the variable component for Material Risk Takers (MRTs) of our Level 1 UK legal entities is capped at 200% of the fixed component, as approved by the shareholders of these legal entities on 8 May 2014, subject to periodic review and confirmation by the Group Compensation Committee and the UK Advisory RemCos.

#### 3.1. Fixed Compensation

Fixed compensation, which is most commonly paid in the form of base salary, is based on the skills, qualifications and relevant experience of the individual, as well as the responsibilities required by the role and external market factors. Fixed compensation may include role-based allowances, determined based on the role and organisational responsibilities of the individual, that are granted to certain MRTs of UK entities.

#### 3.2. Variable Compensation

The level of variable compensation granted is entirely at the discretion of the Group, and may be zero in cases of substandard performance or other reasons. The Group makes decisions on variable compensation based on absolute and relative performance of the Group and its Divisions, as well as achievement of pre-agreed individual performance objectives of employees, market compensation levels, and a variety of other factors.

In exceptional and justified circumstances, the Group may award guaranteed variable compensation, granted as part of a contractual obligation. Guarantees, that are subject to appropriate level of approvals, are limited for one year only and are awarded to attract new employees into the firm where they have no established performance or reputation.

Above a certain threshold, a portion of variable compensation is subject to mandatory deferral to reflect the nature of the Group's business, its risk profile, and the desire to have compensation plans that are based on sustainable performance criteria. Generally, the higher an individual's total compensation, the higher the percentage that is deferred. Deferral percentages are regularly reviewed by the CC, and are internally communicated. Deferral percentages also take into consideration market practice and applicable regulations, and may differ in certain markets. For 2019, the maximum deferral rate was set at 85%. Deferred compensation elements are typically subject to a vesting period of three years (ratably). Longer vesting periods may be decided upon by the CC based on a number of factors, including regulatory requirements.

The Group's primary long-term incentive compensation plan is the Credit Suisse Group AG Master Share Plan (the "Plan"). Deferred compensation instruments are designed to align the interests of employees with the interests of shareholders. The Group seeks to achieve this by providing deferred instruments, the value of which are either tied to the share price performance of the Group, the pre-tax profit of the Divisions, or the Return on Equity (ROE) of the Group.

#### 3.3. MRTs

The MRTs of the UK entities consist of senior individuals identified in accordance with the Regulatory Technical Standards 604/2014 (RTS) criteria, in the context of the rules under Senior Manager Certification Regime as well as the Credit Suisse organizational structure. The population includes individuals holding a PRA/FCA Senior Management Function, the non-executive and executive members of Boards of relevant UK entities, as well as other individuals who meet the CRD IV MRT criteria.

The MRT population is subject to scrutinised compensation structuring rules. In a way of example, where required by the PRA Rulebook or FCA Handbook, variable compensation awarded to MRTs is subject to at least 40% or 60% deferral. Generally, MRTs' variable compensation is subject to a deferral period of three years, which can be increased to five years for PRA Risk Managers and seven years for UK Senior Managers. Additionally, at least 50% of both, deferred and non-deferred variable compensation awarded to MRTs, is awarded in shares or share-linked instruments under the Plan that are subject to an appropriate retention period following vesting during which they cannot be sold or transferred. Deferred instruments granted to MRTs are not entitled to dividend or interest payments.

In certain circumstances, severance payments made to MRTs are also treated as variable compensation, and follow similar structuring rules as described above.

#### **4. Determination of Variable Compensation Pools**

In determining the global variable compensation pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The starting point of the bonus pool development is the Group's financial performance in terms of economic contribution, measured as adjusted income before taxes excluding variable incentive compensation expenses, after deducting a capital usage charge. The methodology to determine the Group and divisional pools also takes into account key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared with peers, as well as the market and regulatory environment and any extraordinary events, such as, but not limited to, company reorganizations, major legacy settlements or any other exceptional circumstances. The Group Compensation Committee can apply discretion to make adjustments (including negative adjustments) to the variable compensation pools.

The total amount of the pool for the corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support, but takes into account the Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures. Therefore, employees working in the corporate functions, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. The corporate functions pool is allocated to the various functions within the corporate functions based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

#### **5. Determination of Variable Compensation Awards**

The allocation of variable compensation to individuals is primarily based on line manager assessment of the performance and conduct of each individual, subject to the constraints of the pool size. The Group adopts a performance culture that places a strong emphasis on disciplined risk management, ethics and compliance-centred behaviour.

To support this process, the Group uses a comprehensive performance management system based on two performance ratings: contribution and behaviour. Contribution ratings are typically based on objective criteria, such as achieving budget targets, increasing market share or successful completion of a project - though they are not limited to financial criteria. Behaviour standards covering conduct, ethics, risk and control are embodied by six key standards (client focus; accountability, including ethics, risk, control and compliance; partner with clients, colleagues and other external parties; meritocracy; stakeholder management; and transparency) that support the Group's branding strategy and overall business vision.

Depending on role, many of our employees will be subject to additional performance ratings, including Risk, Compliance and Leadership, meant to ensure that the individual has multilateral scrutiny on various aspects of both the HOW and the WHY of what they do.

Employees are expected to display the Group's ethical values and professional standards in all business activities and, employees' failure to adhere can result in either a zero or reduced variable compensation, and in certain cases, disciplinary action, up to and including dismissal.

MRTs are subject to a heightened level of scrutiny over the alignment of their compensation with performance, conduct and risk considerations. MRTs and their managers are required to define role specific risk objectives and to incorporate risk considerations, both realised and potential, in their performance evaluations when setting variable compensation.

## 6. Malus and Clawback Provisions

All deferred compensation awards granted contain malus provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct. Additionally, all variable compensation awards granted to UK MRTs are subject to clawback provisions for a minimum of 7 years from grant that may increase to ten years for UK Senior Managers.

## 7. Further Information

Additional information can be found within the [Group Compensation Policy](#), the [CSi Annual Report](#), the [CSSEL Annual Report](#) and the [Group Annual Report](#).

The following tables relate to MRT compensation.

#### 2019 Total Compensation (USD million)

	Management Body	Other Senior Management	Other MRTs	Total
Number of MRTs	28	23	438	489
<b>Total Compensation</b>	<b>53.3</b>	<b>58.2</b>	<b>489.6</b>	<b>601.1</b>

#### 2019 Fixed and Variable Compensation (USD million)

	Senior Management	Other Code Staff				Total
		CSi, CSSEL	CSUKL, CSAML, ACMLLP	Independent Control Functions	Other Corporate Functions	
Number of MRTs	51	297	22	41	78	489
<b>Fixed Compensation</b> <sup>1</sup>	<b>56.5</b>	<b>201.6</b>	<b>7.2</b>	<b>15.1</b>	<b>39.6</b>	<b>320.0</b>
Cash	56.5	201.6	7.2	15.1	39.6	320.0
Shares	.0	.0	.0	.0	.0	.0
Other instruments	.0	.0	.0	.0	.0	.0
<b>Variable Compensation</b> <sup>2</sup>	<b>55.0</b>	<b>159.4</b>	<b>13.0</b>	<b>12.2</b>	<b>41.5</b>	<b>281.1</b>
Cash awards	8.9	23.0	4.2	2.5	6.5	45.1
Restricted stock awards <sup>3</sup>	5.8	21.7	.8	2.1	5.8	36.2
Deferred cash-based awards	11.7	21.8	4.6	1.5	5.9	45.5
Deferred share-based awards	28.6	92.9	3.4	6.1	23.3	154.3
<b>Total Compensation</b>	<b>111.5</b>	<b>361.0</b>	<b>20.2</b>	<b>27.3</b>	<b>81.1</b>	<b>601.1</b>

1. Includes base salaries, total compensation relevant allowances as well as pension and benefits paid in 2019.
2. Discretionary variable incentive awards granted to MRTs relating to the 2019 performance year as communicated via 2019 compensation statements.
3. Restricted stock awards form part of the non-deferred element of the variable compensation and are subject to a 12-month retention period.

#### 2019 Total Compensation: Number of MRT by Pay Band

	Total
Up to 1,000,000 EUR	318
Between 1,000,000 and 1,500,000 EUR	84
Between 1,500,000 and 2,000,000 EUR	35
Between 2,000,000 and 2,500,000 EUR	16
Between 2,500,000 and 3,000,000 EUR	7
Between 3,000,000 and 3,500,000 EUR	8
Between 3,500,000 and 4,000,000 EUR	5
Between 4,000,000 and 4,500,000 EUR	1
Between 4,500,000 and 5,000,000 EUR	3
Between 5,000,000 and 6,000,000 EUR	5
Between 6,000,000 and 7,000,000 EUR	3
Between 7,000,000 and 8,000,000 EUR	2
8,000,000 EUR or more	2

## Deferred Variable Compensation as at 31 December 2019 (USD million)

	Senior Management	Other Code Staff				Total
		CSi, CSSEL	CSUKL, CSAML, ACMLLP	Independent Control Functions	Other Corporate Functions	
<b>Awarded</b> <sup>1</sup>	66.6	180.3	8.3	10.9	45.7	<b>311.8</b>
<b>Paid Out</b> <sup>2</sup>	31.0	72.8	4.6	4.5	16.0	<b>128.9</b>
<b>Performance Adjustments</b>						
Explicit <sup>3</sup>	.0	.1	.0	.0	.0	<b>.1</b>
Implicit <sup>4</sup>	16.4	45.8	1.5	2.7	12.0	<b>78.4</b>
<b>Total Outstanding</b> <sup>5</sup>	<b>132.7</b>	<b>319.0</b>	<b>15.3</b>	<b>18.6</b>	<b>83.7</b>	<b>569.3</b>
Outstanding vested <sup>6</sup>	9.5	47.2	2.1	4.2	15.9	<b>78.9</b>
Outstanding unvested <sup>7</sup>	123.2	271.8	13.2	14.4	67.8	<b>490.4</b>

1. Value of deferred variable compensation awarded to MRT during 2019 based on the share price as at 30 December 2019.
2. Actual value delivered to MRT during 2019 from the vesting of prior years' deferred variable compensation awards. Based on share price as at the time of vest.
3. Explicit value changes reflect adjustments triggered by conditions related to negative performance in certain share awards, and due to malus, clawback and other forfeitures.
4. Implicit value changes reflect adjustment primarily due to market driven effects including changes in share price and change in the value of other instruments.
5. All outstanding deferred variable compensation is exposed to potential risk adjustment.
6. Value of outstanding vested awards not yet delivered to MRTs in 2019, based on the share price as at 30 December 2019.
7. Value of outstanding unvested awards held by MRTs, based on the share price as at 30 December 2019.

## 2019 Sign-On, Guarantee and Severance Payments (USD million)

	Senior Management	Other Code Staff				Total
		CSi, CSSEL	CSUKL, CSAML, ACMLLP	Independent Control Functions	Other Corporate Functions	
<b>Sign-Ons</b>	0	0	0	0	0	<b>0</b>
Number of beneficiaries	0	0	0	0	0	<b>0</b>
<b>Guarantees</b>	0	0	0	0	0	<b>0</b>
Number of beneficiaries	0	0	0	0	0	<b>0</b>
<b>Severance Paid</b> <sup>1</sup>	.2	4.8	.2	.5	1.2	<b>6.9</b>
Number of beneficiaries	2	17	2	3	6	<b>30</b>
<b>Severance Awarded</b> <sup>2</sup>	.4	4.0	.4	.5	1.6	<b>6.9</b>
Number of beneficiaries	2	12	2	3	7	<b>26</b>
Highest individual severance	.3	.8	.3	.2	.4	<b>n/a</b>

1. Severances paid to 2019 MRT leavers. Also includes severance payments paid in 2019 in respect of individuals who ceased to be MRTs in 2018.
2. Severances awarded to 2019 MRT leavers. Also includes severance payments awarded in 2019 but payable in 2020.

All values have been converted to USD using the relevant exchange rate as at 30 December 2019.

