

SUSTAINABILITY REPORT 2003






Credit Suisse Group is a leading global financial services company headquartered in Zurich.

The business unit Credit Suisse Financial Services provides private clients and small and medium-sized companies with private banking and financial advisory services, banking products, and pension and insurance solutions from Winterthur. The business unit Credit Suisse First Boston, an investment bank, serves global institutional, corporate, government and individual clients in its role as a financial intermediary. Credit Suisse Group's registered shares (CSGN) are listed in Switzerland and in the form of American Depositary Shares (CSR) in New York. The Group employs around 60,800 staff worldwide.

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Unless otherwise indicated, the information in this Report relates to the whole of Credit Suisse Group and refers to the status as at end-2003. Performance indicators are shown for 2003.

 This symbol is used to indicate topics on which further information is available on our website. Go to [www.credit-suisse.com/annualreporting/bookmarks.html](http://www.credit-suisse.com/annualreporting/bookmarks.html) to find links to the relevant information. This additional information indicated is publicly accessible and does not form part of the Sustainability Report. Some areas of Credit Suisse Group's websites are only available in English.



**Oswald J. Grübel**  
Co-CEO Credit Suisse Group  
Chief Executive Officer  
Credit Suisse Financial Services



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Dear readers

For Credit Suisse Group, 2003 was a critical year. During a time of continued global economic weakness and uncertain market trends, we succeeded in returning the company to sound profitability and considerably strengthened our capital position. In accomplishing these goals, we restored the trust of our clients, employees, shareholders and other stakeholders, and laid a solid foundation on which to build our future success.

To improve our performance across all of our businesses, and thus re-establish confidence in our company following the losses suffered in 2002, we launched and systematically implemented a series of measures throughout the year. When confronted with painful decisions – as was partly the case during this period – it is especially important to address the issue of corporate social responsibility, which is a core aspect of Credit Suisse Group's commitment to sustainability.

We endeavor to prudently balance the interests of various stakeholders with our accountability towards society and the environment. Our approach is to uphold our internal Code of Conduct, to which all Credit Suisse Group employees are expected to adhere.

In fact, our ability to live up to our guiding principles must be the basis on which we are judged. Through targeted projects and programs, we continually seek to maintain and enhance the Group's corporate value while simultaneously fulfilling our social and environmental responsibilities. In 2003, for example, we launched a number of local and international initiatives. These included setting up an internal business school in Switzerland and re-certifying our global Environmental Management System under ISO 14001. We also adopted the Equator Principles, a voluntary set of

guidelines developed by banks for managing environmental and social risks related to project finance, as well as for implementing the UN Global Compact, of which we were one of the first signatories.

As expectations about corporate responsibility toward clients, shareholders, employees and all other sectors of society and the environment increase, we strive to better understand the concerns of stakeholders around the world, and to openly communicate our decisions and achievements. Credit Suisse Group's Sustainability Report 2003 – which forms part of our corporate reporting – underlines the values we endorse and describes the ways in which we put our business principles into practice. We encourage you to read it and welcome any comments you may have.

**Oswald J. Grübel**

**John J. Mack**

March 2004

## COMPANY PROFILE

Credit Suisse Group is a global financial services company domiciled in Switzerland. It offers clients needs-oriented banking and insurance products, high-quality services and professional advice. Its core activities are: investment advisory, asset management and insurance, as well as investment banking. Credit Suisse Group aims to deliver superior value to its clients and shareholders, to be an employer of choice and to act as a respected member of the community.

The activities of Credit Suisse Group are structured into two main business units: Credit Suisse Financial Services and Credit Suisse First Boston. The Credit Suisse Group Corporate Center performs parent company functions for the benefit of the entire Group.

### Credit Suisse Financial Services

Credit Suisse Financial Services offers private banking and financial advisory services, investment products and insurance and pension solutions for private and corporate clients, predominantly under the Credit Suisse and Winterthur brands.

Credit Suisse Financial Services consists of four segments:

**Private Banking**, providing wealth management services for high-net-worth clients around the world;

**Corporate & Retail Banking**, serving corporate and retail banking clients in Switzerland;

**Life & Pensions**, providing Winterthur's insurance and pension solutions to private and corporate clients in Europe and selected Asian markets;

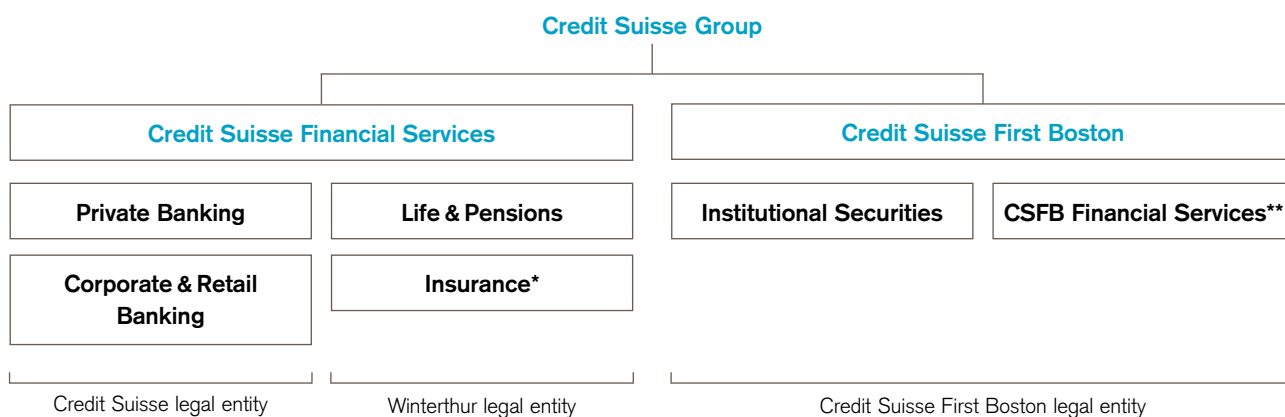
**Insurance**, providing Winterthur's non-life insurance to private and corporate clients predominantly in Europe and the United States. Effective January 1, 2004, the Insurance segment was renamed Non-Life.

As of December 31, 2003, Credit Suisse Financial Services' distribution network consisted of 214 branches serving Corporate & Retail and Private Banking clients in Switzerland, approximately 50 Private Banking locations abroad, approximately 500 insurance locations in Switzerland and insurance representation in 18 countries worldwide. Approximately 70 of the banking branches and insurance agencies in Switzerland are joint locations.

### Credit Suisse First Boston

Credit Suisse First Boston serves global institutional, corporate, government and high-net-worth clients in its role as financial intermediary and provides a broad range of financial products and investment advisory services.

## Credit Suisse Group structure ➡



\* Renamed Non-Life as of January 1, 2004.

\*\* Renamed Wealth & Asset Management as of January 1, 2004.


Credit Suisse First Boston consists of two segments:

The **Institutional Securities** segment provides financial advisory and capital raising services and sales and trading for users and suppliers of capital around the world. It comprises three divisions: Fixed Income, Equity and Investment Banking.

The **CSFB Financial Services** segment provides international asset management services to institutional, mutual fund and private investors and financial advisory services to high-net-worth individuals and corporate investors. It includes the institutional asset management business, which operates under the brand Credit Suisse Asset Management, and Private Client Services.

Effective January 1, 2004, Credit Suisse First Boston reorganized its operations by transferring the private equity and private fund groups from the Institutional Securities segment to the CSFB Financial Services segment, which has been renamed Wealth & Asset Management.

### Sustainability ratings

Independent rating agencies and index providers have repeatedly rated Credit Suisse Group as one of the sector leaders in terms of sustainability; it has subsequently been included in various sustainability indices , such as the Dow Jones Sustainability Index, the FTSE4Good Index and the Humanix Ethical Index. Credit Suisse Group is also represented in various investment funds that focus on ecological and social issues.

## Key figures 2003

in CHF	2003	2002	Change in % from 2002
Net profit/(loss) in millions	<b>4,999</b>	(3,309)	–
Basic Earnings per share	<b>4.13</b>	(2.78)	–
Dividend/capital repayment	<b>0.50 <sup>1)</sup></b>	0.10 <sup>2)</sup>	400
Return on equity	<b>16.6%</b>	(10%)	–

	31.12.03	31.12.02	Change in % from 2002
Market capitalization in millions	<b>54,943</b>	36,909	49
Total assets in millions	<b>962,164</b>	955,656	1
Shareholders' equity in millions	<b>34,692</b>	31,394	11
Total assets under management in billions	<b>1,199</b>	1,160	3

<sup>1)</sup> Capital repayment <sup>2)</sup> Dividend

## Number of employees (full-time equivalents)

		31.12.03	31.12.02	Change in % from 31.12.02
Switzerland	banking	<b>19,661</b>	21,270	(8)
	insurance	<b>6,426</b>	7,063	(9)
Outside Switzerland	banking	<b>20,310</b>	25,057	(19)
	insurance	<b>14,440</b>	25,067	(42)
Total employees Credit Suisse Group		<b>60,837</b>	78,457	(22)

### A challenging environment for the financial services industry

The financial services industry has faced a number of serious challenges in recent years as a result of continuing global economic weakness and its subsequent impact on the financial markets. At the same time, the industry had to battle with a loss of confidence worldwide, as company and stock market scandals, lawsuits in investment banking, investigations targeting fund managers and the issue of corporate governance hit the headlines. There was a general call for stricter controls and the issue of corporate responsibility became increasingly important.

As a result of various measures such as rules to ensure analyst independence, regulations for IPO allocations, stricter corporate governance guidelines and increased transparency, the financial services industry has recently achieved considerable progress in its efforts to adapt to the altered market environment and regain public confidence.

The measures implemented at various levels appear to have been recognized and accepted by the general public. In Switzerland, for example, the "Sorgenbarometer" survey – a representative opinion poll of the Swiss population which has been commissioned by Credit Suisse Group each year for over two decades – revealed that confidence in banks rose for the second consecutive year in 2003 after hitting a record low in 2001.

### A year of consolidation

Credit Suisse Group was also impacted by these developments. After posting a large loss in 2002, Credit Suisse Group's main goal last year was to return to solid profitability and to regain the confidence of its various stakeholders.

The Group therefore implemented systematic measures that included aligning costs with reduced revenues, refocusing its onshore European private banking activities, returning Winterthur to profitability, strengthening the Group's capital base and reducing the legacy asset portfolios at Credit Suisse First Boston.

Cost management was a key priority throughout the Group in 2003. The rigid cost controls also entailed headcount reductions, which placed considerable pressure on all of the Group's staff. The measures taken in 2003 also included the divestiture of parts of Winterthur's insurance business in the US, the UK and Italy, as well as the sale of Credit Suisse First Boston's Pershing unit.

Two additional committees were created at Board level – the Chairman's and Governance Committee and the Risk Committee – in order to further strengthen the Group's corporate governance and risk management. Furthermore, an industry-wide settlement aimed at ensuring the independence of research analysts and improving certain IPO allocation practices was reached in the US last year. In Switzerland, political debate centered around the preservation of bank client confidentiality and the long-term future of occupations pensions.

The measures initiated by Credit Suisse Group to restore its earning strength and adapt to the altered market environment had the desired effect in 2003. The Group will continue to concentrate on generating sound profitability, while maintaining a focus on cost management, efficiency gains and the strengthening of client relationships. Given its return to sound profitability in 2003, Credit Suisse Group is well positioned to compete successfully in its primary markets, and it expects to continue to make progress towards achieving leading performance in its respective businesses.





Developments over the past few years, as well as the daily challenges confronting any globally active company, have highlighted the close interrelationship between economic and social factors. A company's market value is influenced to a significant extent by intangible values (e.g. intellectual capital, corporate culture, client loyalty, reputation), and its business success is dependent to a large degree on the confidence of its stakeholders and on it being accepted in the environment in which it operates. Consequently, one of the challenges that a company faces when striving to achieve sustainable business success is that of identifying the expectations of key stakeholder groups and of addressing them appropriately.

### Sustainability and corporate performance

For Credit Suisse Group, sustainability means achieving economic success by addressing environmental, social and commercial expectations vis-à-vis the company and by reaching decisions that achieve a fair balance between society's needs today and in the future.

The active consideration of social and environmental issues contributes to long-term business success at various levels, thus creating added value for the company.

- **Employees:** Dedicated and well-qualified employees are a company's most important asset. An interesting and challenging working environment, progressive working conditions and a culture that encourages a sense of responsibility towards the environment and society make a company an attractive employer for the most talented employees.
- **Clients:** Continuous product and service innovation and an awareness of client needs are key factors determining a company's success. Sustainability-oriented investments are a growing product segment; the volume invested in this area has increased substantially over the last ten years. By offering a broad and innovative range of such products, companies can access new areas of business and secure existing client relationships.
- **Investors:** The number of investors taking social and environmental factors into account has grown. Various indices such as the Dow Jones Sustainability Index and the FTSE4Good Index, rate companies according to sustainability criteria, i.e. the ratings they issue are determined not only by financial key figures but also by the company's environmental and social performance. If a company achieves a good sustainability performance, it will be attractive to investors who consider these criteria when making their investment decisions.
- **Risk management:** The nature of risk has changed in recent years and the number and scale of non-traditional risks has increased. The environmental and social risks associated with clients and projects can also become credit, liability or reputational risks for the financial institutions involved. These aspects must therefore be taken into consideration as part of the company's risk management procedures to ensure it

pursues a prudent policy when deciding whether – and under which conditions – to grant corporate loans, make investments or underwrite insurance policies.

- **Cost savings:** The conscious use of energy and resources helps to save costs – at the time of purchase, during maintenance, and upon disposal.
- **Trust / reputation:** Values such as credibility, integrity and the ability to maintain viable partnerships with various stakeholders are vital for long-term business success, as are corporate governance structures that meet the highest standards. By carefully managing and adopting a transparent approach vis-à-vis its intangible values, a company can maintain the trust of clients, employees, shareholders and other stakeholders, as well as positioning itself as a credible and attractive financial services provider.

### The third Sustainability Report

Credit Suisse Group published its first Sustainability Report in spring 2002 as a follow-on from its Environmental Reports and a component of its corporate reporting. With this third Sustainability Report, the Group is once again presenting details of the way it deals with the challenges related to the wider social environment in which it operates.


The Report contains information about the company's relations with various stakeholders and demonstrates how Credit Suisse Group fulfils its responsibilities in important areas not reflected in its financial performance, thus creating added value for the business. Further information on sustainability indicators and ratings, commitments and publications is available on the Internet at: [www.credit-suisse.com/sustainability](http://www.credit-suisse.com/sustainability). Details of the company's financial performance can be found in its Quarterly and Annual Reports ([www.credit-suisse.com/annualreporting](http://www.credit-suisse.com/annualreporting)).

Credit Suisse Group is taking account of the guidelines set out by the Global Reporting Initiative (GRI) for the further development of its sustainability reporting activities.


## COMMITMENTS AND IMPLEMENTATION

A company's long-term business success is dependent on its ability to gain a comprehensive understanding of its responsibilities vis-à-vis its clients, shareholders and employees, as well as society and the environment. Credit Suisse Group is committed – at several levels – to taking these different aspects into account when conducting its business.

### Commitments

The shared basic values and principles that the Group aims to put into practice have been set out in its internal Code of Conduct since 1999. In both its Code of Conduct and its Environmental Policy, Credit Suisse Group commits itself to the principle of sustainability. The Group has reaffirmed this commitment by signing a series of international pledges. As early as in 1992, it signed the UNEP Declaration for Financial Services Providers and, in 2000, it signed up to the UN Global Compact  – a UN initiative under which companies commit themselves to nine principles relating to human rights, working conditions and environmental protection.

### System of shared values

The Code of Conduct  focuses on six ethical and six performance-related principles, and thus forms a shared system of values that all employees are expected to adhere to.

#### Ethical values

- Integrity
- Responsibility
- Fairness
- Compliance
- Transparency
- Confidentiality

#### Performance values

- Service
- Excellence
- Teamwork
- Commitment
- Risk culture
- Profitability

On January 1, 2004, an updated version of the Code of Conduct came into effect, which further explicates the existing principles and takes account of the new requirements arising from the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange's revised Corporate Governance Rules.

The basic values set out in the Code of Conduct also form the basis for conduct towards employees, clients, investors, society and the environment. They are expressed in concrete terms in the guidelines and directives issued by Credit Suisse Group's business units.

### Responsibility at all levels

Responsibility for the individual aspects of sustainability rests with employees and management at various levels of the organization. While Credit Suisse Group's Environmental Management System is controlled centrally

for the whole Group, the management of issues relating to employees and clients is decentralized. As national legislation and practices – as well as the specific business focus and the respective general conditions – need to be taken into account, responsibility for employee and client issues is borne by the individual business units. Likewise, the scope and the precise focus of Credit Suisse Group's social commitments are geared towards the markets in which it operates.

- **Employees:** The human resources departments of the Corporate Center and the two business units are responsible for issues relating to the Group's personnel policy. Dedicated units such as Diversity Management or the specialists in charge of health and safety in the workplace are responsible for specific issues. The representation of employee interests to management is the responsibility of the Staff Council in Switzerland and the European Works Council at a pan-European level.
- **Clients:** Professional conduct and the provision of rapid and superior service to clients is first and foremost the responsibility of each individual employee. The managers responsible for individual business areas and products, as well as the respective market regions, ensure that the company's high standards are met. Specialist quality management units identify where there is a need or opportunity to improve the company's product and service quality, and help employees to deal with client complaints.
- **Investors / analysts:** The Investor Relations unit provides investors and analysts with a comprehensive picture of Credit Suisse Group's strategy and business development. Tools such as the company's Quarterly Reports, road shows, analyst conferences and seminars for investors underpin its efforts to inform the market rapidly, transparently and in accordance with applicable regulations, thus enabling the company to be assessed as accurately as possible.
- **Society:** Planning and support units such as Legal & Compliance use training and monitoring to ensure that employees comply with legal and regulatory provisions, as well as with internal standards and regulations. The regular exchange of information with supervisory bodies and regulators also contributes



towards this. Its “External Affairs and Public Policy”, “Economic & Policy Consulting” and “Public Affairs” departments monitor political, economic and social developments and enter into dialog with the relevant stakeholders. Various foundations such as Credit Suisse Group’s Jubilee Foundation and the Credit Suisse First Boston Foundation support charitable humanitarian, social and cultural organizations and institutions.

- **Environment:** Credit Suisse Group operates an Environmental Management System based on its environmental policy and the international commitments it has made. The system is certified under ISO 14001 and managed centrally for the whole Group.
- **Risk management:** Credit Suisse Group has a comprehensive approach to risk management, which also takes account of social and environmental risks. Monitoring functions are carried out at various levels. Detailed information about Credit Suisse Group’s risk management organization can be found in the Group’s Annual Report.

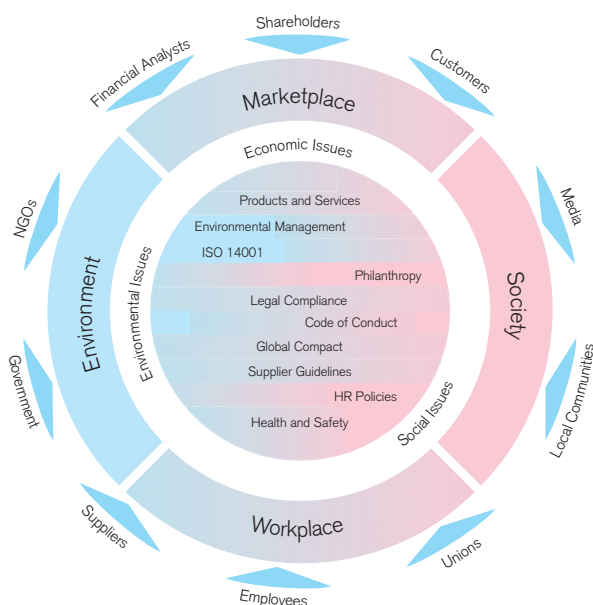
In 2004, Credit Suisse Group will endeavor to adopt an even more integrated approach when assessing different aspects of its business activities that are relevant to sustainability (see chart). To this end, it will formulate a sustainability strategy comprising short and medium-term objectives. In conjunction with this, efforts will be made to increase employees’ awareness of the wide variety of sustainability issues facing a financial services provider, irrespective of their function or area of responsibility. The Group aims to report on its main priorities and initial results in its next Sustainability Report.

### The practical challenges of sustainability

By taking account of sustainability issues, it is often possible to underpin business objectives directly, as in product and service innovation or the prudent use of resources. Occasionally, however, demands and interests may be opposed, leading to conflicting objectives.

One example of this is in project finance, certain aspects of which occasionally attract criticism from the general public and special interest groups. When financing large-scale projects in investment banking or in the case of exposure to controversial industries – e.g. oil exploration, mining, the pulp and paper industry or hydroelectric projects – the environmental and social implications may sometimes trigger public debate. On the one hand, there are the opportunities that a project can create for a region, such as energy provision or economic development and employment; on the other hand, there are the potential environmental and social risks, which will be accorded different degrees of significance by different stakeholders. In such cases, it is important to weigh the expected benefits of a possible commitment against the potential negative consequences. The Equator Principles, which Credit Suisse First Boston adopted in 2003, serve as a useful guide by setting out the standards according to which the risks should be judged. By highlighting the criteria on which decisions are based, a business can increase transparency and often even achieve some level of understanding among stakeholders who take a critical view of a particular decision.

Credit Suisse Group is very conscious of the challenges that arise as a result of this complex range of topics and the constantly changing circumstances in which it operates. In each case, it is therefore essential to carefully consider all of the factors and to weigh up the various interests involved in order to reach conscious and transparent decisions.



This chart illustrates the interrelationship between the different measures that Credit Suisse Group uses to pursue a sustainable business policy. It also shows the stakeholder groups with which it maintains a dialog.

## EMPLOYEES

Highly-qualified, well-trained and dedicated staff are essential to the success of a financial services provider such as Credit Suisse Group. It is just as important for an employer to offer a challenging range of work, targeted training and development programs, competitive market-driven compensation and attractive social benefits as it is for it to adopt a responsible attitude towards employees even in the face of adverse economic conditions.

### The market creates a need for action

In 2003, restructuring measures made unavoidable by corrections on the financial markets led to a significant reduction in the Group's headcount. The decrease in the number of employees was driven primarily by the divestiture of parts of the company. Moreover, a total of 920 full-time positions were cut at Credit Suisse First Boston last year, and a further 2,500 at Credit Suisse Financial Services. As of December 31, 2003, the company employed 60,837 staff on a full-time basis. Of these, 26,087 worked in Switzerland and 34,750 outside Switzerland.

A series of measures drawn up in conjunction with Credit Suisse Group's social partners in Switzerland aimed to avoid structurally-driven redundancies whenever possible and ensured that the employees concerned received professional advice and support in their search for new internal or external positions. Although these efforts went beyond the minimum legal requirements in many ways, some employees felt insecure for long periods or had to adapt to a new situation. Persistent competitive pressure is forcing Credit Suisse Group to continue with regular reviews of its cost structures across all areas and to measure them against market conditions.

### Achieving a healthy work/life balance

Credit Suisse Group strives to help its employees to achieve a healthy balance between their careers and their private lives. At both Credit Suisse Financial Services and Credit Suisse First Boston, flexible working models – such

as part-time positions, opportunities to work from home and job-sharing – are used wherever feasible from an operational perspective. At the end of 2003, 19.5% of all staff at Credit Suisse Group in Switzerland were employed on a part-time basis. More than three-quarters of these were women, but the percentage of men (22%) and middle management (10%) is growing.

Flexible working models and maternity leave – which, in many locations, exceeds the legal requirements – allow Credit Suisse Group employees to balance their family obligations with a career. This approach is also reflected by the provision of internal and subsidized child care facilities. In 2003, the US magazine "Working Mother" named Credit Suisse First Boston one of the top 100 employers for working women with families. Credit Suisse First Boston in the UK was also recognized by Opportunity Now, a leading organization supporting the advancement of women in the workplace, with awards for its "Empowering Change for Women" program.

In order to remain fit and well, employees can take advantage of Credit Suisse Group's health and wellness initiatives. These include on-site or centrally located fitness centers, health screening and voluntary vaccination, as well as presentations and seminars on issues related to health and well-being, such as stress or nutrition.

### Creating and cultivating a corporate culture

Last spring, Credit Suisse Financial Services formulated six "Leadership Priorities" to help meet the challenges it faced and improve management skills at all levels. The aim of these priorities is to make personal responsibility, a positive approach to criticism and cooperation an even stronger part of the existing corporate culture.

At Credit Suisse First Boston, there were continued efforts to promote a uniform corporate culture that encourages employees to realize their full potential. This includes the "One CSFB Award" that is presented to employees who stand out on account of their special efforts in the areas of client focus, teamwork, entrepreneurial spirit and the promotion of diversity.

This Firm-wide culture also encourages all staff to be vigilant with regard to ethical behavior and conduct. To this end, structures and procedures have been introduced across the Group for the reporting of suspected



infringements of legal, regulatory or ethical rules and guidelines. This includes a hotline at Credit Suisse First Boston that can be accessed by any employees worldwide.

#### **A future built on education**

Well-trained staff are the key to ensuring optimal client service and an innovative range of products. Credit Suisse Group's training and development programs range from apprenticeships and graduate programs to management training courses. In 2003, Credit Suisse and Winterthur offered more than 1,000 vocational apprenticeships in Switzerland, while the Career Start program enabled around 220 university graduates to gain their first targeted professional experience. The establishment of the Credit

##### **Credit Suisse Business School**

Life-long learning is of vital importance for employees and companies alike. In an effort to bring its training programs more closely into line with its business strategy, to support the systematic transfer of experience and best practice, and to further promote shared values and a uniform culture, the Credit Suisse Business School was launched in autumn 2003. The Business School builds on the company's tried-and-tested range of training programs and adds specific measures such as the development of certified specialist training in conjunction with external partner schools. It offers specialist and sales training and contributes to the further development of the company's leadership culture. With the motto "A Passion to Learn and Perform", the Business School has been in operation since January 1, 2004.

Suisse First Boston Leadership Institute in March 2002 has given Credit Suisse First Boston a central platform for employee and management training. In September 2003, Credit Suisse Financial Services launched its own internal business school.

#### **Fairness demands equal opportunities**

As a globally active company, Credit Suisse Group's workforce is made up of employees from many different countries and ethnic backgrounds. In fact, the Group employs people from more than 100 different nations. By staging events during "Heritage and History Months" (e.g. Black History Month, Hispanic Heritage Month, Gay and Lesbian Month), Credit Suisse First Boston actively offers its employees an opportunity to gain greater awareness of their colleagues' varied ethnic and cultural backgrounds, thus promoting greater mutual understanding and respect. In 2003, the company's efforts to ensure equal opportunities for all employees were acknowledged by awards from two organizations (Opportunity Now and the Human Rights Campaign).

One of Credit Suisse Group's central objectives is to promote equal opportunities in the workplace. Over the last five years, the percentage of women in middle management positions in Switzerland has increased from 18% (1998) to 21% (2003). Over the same period, the percentage of women in senior management positions has risen from 6% to almost 10%. Following the appointment of several female Members to the Executive Boards of Credit Suisse First Boston and Credit Suisse Financial Services, Barbara Yastine – Chief Financial Officer of Credit Suisse First Boston – became the first woman to be appointed to the Executive Board of Credit Suisse Group in July 2003.

#### **Strengths**

- Credit Suisse First Boston's efforts to ensure equal opportunities were recognized by awards from Opportunity Now (UK) and the Human Rights Campaign (US).
- With more than 8,000 people attending training programs and courses, the Credit Suisse First Boston Leadership Institute, established in March 2002, has become a central platform for employee and management training.
- A comprehensive series of measures was drawn up in conjunction with the Group's social partners for the realization of the restructuring within Credit Suisse Financial Services in Switzerland.

#### **Weaknesses**

- Despite communication at an early stage and the provision of help and support for staff, the unavoidable restructuring processes led to uncertainty and disappointment among some employees.
- Despite considerable efforts and progress, women are still underrepresented in senior positions, especially in Switzerland and the rest of Europe.

#### **Next steps / objectives**

- Targeted expansion of existing training programs within the framework of the Credit Suisse Business School.
- Further efforts to encourage employees and managers to identify with the Credit Suisse Financial Services Leadership Priorities.
- Continued efforts to promote women and employees from different ethnic backgrounds to key positions to ensure appropriate representation.

## CLIENTS

Client confidence and client satisfaction are objectives which companies must continuously strive to achieve. Innovation and adaptation are essential if a company is to keep pace with a changing society. An acute awareness of responsibility is vital in order to maintain client confidence in the long term. It is by offering good service quality and an attractive range of products and services that a company is able to meet its clients' various needs.

### Adapting to economic and social change

In order to respond rapidly and flexibly to the latest developments, a company must continuously adapt itself to the social and regulatory environment. A current example of this is the new model for occupational benefits foundations introduced by Winterthur in 2003 ➡: Winterthur developed a model that takes greater account of both the economic environment in Switzerland and changes in life expectancy. The key components of the Winterthur model are the separation of the insurance and pensions relationships and the distinction between mandatory and extra-mandatory employee benefits. Winterthur was the first company to launch this new model publicly and consequently faced considerable criticism. The fact that Winterthur was granted the necessary approval to implement the change – and was soon followed by other life insurers making similar adjustments – confirmed just how essential this move was to secure the long-term future of occupational pensions in Switzerland.

### A changing environment for banking

An ability to adapt to changing conditions is just as important in the banking sector. This is especially due to the fact that the foundations of banking have undergone considerable changes in recent years, driven by deregulation, consolidation and increased competition, including pressure from financial services providers outside the banking industry. The needs and expectations of clients have also altered as they turn their focus from savings towards investment. In addition to the traditional offering of products and services and modern means of contact and communication, clients now also require more guidance to help them find their way around the steadily growing range of information and products available.

As a result, the demands placed on client advisors and on the bank infrastructure have increased sharply over the last few years. With clients seeking diversification across various investment categories, for example, advisors must now have a very detailed knowledge of a multitude of investment products. Employee education and training are factors that have thus now become even more decisive for business success than in the past.

The range of products on offer must also be adapted continuously to meet clients' expectations. Investors have become more risk-aware as a result of stock market volatility in the past, and Credit Suisse Group has reacted to this change in demand by launching new products designed to focus on capital preservation and stable returns. In addition to inflation-proof bond funds, these products include "profit lock-in units" that offer capital protection up to the maturity date as well as locking in profits that accrue during the term of the instrument. Another innovative product is the cat bond issued by Credit Suisse First Boston to insure against the financial risks of the 2006 Football World Cup.



#### **Prevention through reconstruction**

Winterthur assigns considerable importance to accident prevention. It has had its own department for research into traffic accidents and traffic safety since 1990 and is one of only three insurers in Europe to have a unit of this kind. The department examines how and why traffic accidents occur and studies their consequences. Its findings are of relevance in accident reconstructions and help to improve preventative measures. Winterthur's accident research unit operates internationally and works together with various external partners. Its activities focus primarily on preventing whiplash injuries, maintaining accident databases and performing crash tests.

#### **Central role – enhanced responsibility**

As financial intermediaries, providers of banking and insurance services also play a central role in the national economy. They provide the infrastructure for payment operations and stock exchange transactions, offer capital for investment, and assist in the creation and preservation of wealth, as well as insuring against damage to people and property.

Credit Suisse Group can only fulfill these roles if it meets the highest standards of credibility and trust. It thus has to prevent its services from being abused while still respecting the privacy of its clients. Switzerland's legislation on the prevention of money laundering and terrorist funding is among the most advanced in the world. The principles it lays down are applied by all of Credit Suisse Group's business units around the world. As a member of the Wolfsberg Group, Credit Suisse Group has also committed itself to the international fight against money laundering and terrorist funding by the financial services industry (Wolfsberg Principles) ➔.

#### **Discussions about credit policy**

In a new study by the Swiss Federal Department of Economic Affairs, around 60% of the small and medium-sized enterprises (SMEs) surveyed expressed a positive opinion about their banks, while only about 15% were dissatisfied. Over recent years, there have been repeated discussions about the Swiss banks' credit policy. A study published by Credit Suisse Financial Services' Economic & Policy Consulting department in summer 2003 revealed that the credit market in Switzerland is functioning properly, and that there has been neither a general shortage of loans nor any evidence of discrimination against small and medium-sized enterprises in favor of larger corporations. Recent statements by the Swiss National Bank and the Swiss Government support these findings.

The assumption of risk is an inherent part of the credit business and something for which banks wish to be adequately compensated. They will endeavor to further improve their risk management, thus also benefiting their clients and investors. Attention will therefore remain focused on the issue of credit policy. Credit Suisse Financial Services and Credit Suisse First Boston today already issue credit ratings for their corporate clients, based on qualitative factors such as an assessment of their management and market, their accounting and current business performance, as well as quantitative factors such as their earnings situation, financing power and the soundness of their balance sheet. Credit ratings are important for clients, as they indicate a client's creditworthiness and where a client can achieve improvements. At Credit Suisse Financial Services, ratings are therefore discussed with corporate clients. Transparent communication between banks and companies strengthens their mutual trust and helps to minimize misunderstandings.



### Quality and satisfaction – integrating the client perspective

Credit Suisse Group is implementing targeted measures to ensure that the highest standards of client focus and service quality are maintained over the long term. This involves drawing up a clear and detailed picture of its client structure and client needs. Credit Suisse's Quality Management team conducts around 15,000 telephone interviews with private and corporate clients in Switzerland each year. These surveys provide management with key information on how to focus even more sharply on client requirements.

Current studies have shown, for example, that compared to men, women invest with a longer investment horizon and tend towards a more security-oriented risk profile. The challenge is to take even greater account of such distinctions in future.

The series of awards won by Credit Suisse Group's different businesses in 2003 confirm the company's achievements to date, as well as encouraging further effort. A wide-ranging survey placed Credit Suisse Private Banking, Credit Suisse (Germany) and Bank Leu (a private banking subsidiary of Credit Suisse Group) among the top 18 asset managers in the German-speaking world. For its part, Credit Suisse First Boston won "Euromoney Awards for Excellence 2003" in all three investment banking categories in Switzerland (Best M&A House, Best Debt House, Best Equity House) as well as being named Best M&A House in Emerging Europe. Many of the deals arranged by Credit Suisse First Boston are recognized as "Deals of the Year" by leading financial publications.

However, ensuring the satisfaction of clients is even more important than gaining the approbation of experts. Despite the adverse market environment in 2003, there was a clear year-on-year rise in client retention and in overall satisfaction amongst Credit Suisse Group's private and corporate clients in Switzerland. This trend can be attributed to improved information, increased reliability and the considerable efforts assigned to addressing clients' concerns and questions. The main criticisms voiced by clients related to the execution of transactions and provision of specialist advice, as well as fees and prices. These issues will be addressed in 2004 in order to maintain the company's image as a reliable partner. The aim is to ensure that all clients experience the Credit Suisse brand in a positive way whenever they come into contact with the bank.

### Strengths

- Close contact with clients through worldwide presence and multi-channel approach.
- Improved client retention and client satisfaction among Swiss private and corporate clients.
- Awards for quality in asset management and investment banking.

### Weaknesses

- Despite increasing client satisfaction in the Swiss corporate banking business, Swiss corporate clients have experienced some uncertainty about their own credit rating.
- The essential amendments to occupational pensions prompted criticism from the general public; Winterthur responded by providing additional information and being a willing partner for discussion.

### Next steps / objectives

- A more differentiated approach to the investment requirements of specific client groups, e.g. women.
- Further improvements in client advisory and support services through targeted improvements in training for employees with client contact (Credit Suisse Business School).
- Targeted measures to achieve improvements in the areas criticized by clients, such as execution and advice, in order to further increase client satisfaction.



As a globally active provider of banking and insurance services, Credit Suisse Group operates against a complex backdrop of interrelated social and economic forces. Transparency about its own business activities and an open dialog with politicians, the authorities and the general public are therefore prerequisites for its long-term success. Equally important is its commitment to the communities in which it operates.

### Credit Suisse Group plays by the rules

Integrity and professionalism are the essential foundations on which client, shareholder and public confidence are built. Over the last two years, Credit Suisse Group has further strengthened its internal compliance structures and has been at the forefront of the implementation of reforms in response to industry-wide settlements.

In February 2003, for example, Credit Suisse First Boston created a high-ranking Global Compliance Committee to ensure that any adaptations of the business in line with future changes in the regulatory environment can be carried out quickly and implemented efficiently by means of additional training and stronger controls.

In the US and Switzerland, discussions focused on equity research and the ban on the personal ownership of equities by analysts to ensure the independence of their financial research. Both of Credit Suisse Group's business units – Credit Suisse Financial Services and Credit Suisse First Boston – had already prohibited their research analysts from owning the securities which they have to evaluate on a professional basis.

In spring 2003, as part of the industry-wide settlements, Credit Suisse First Boston concluded an agreement with the US regulatory authorities regarding their investigations into research analyst independence and the allocation of Initial Public Offerings (IPOs) to corporate executives. This marked an important step towards restoring investor confidence in the financial services sector.

### Corporate Governance

Good corporate governance enables different stakeholders to assess the quality of a company and its management, as well as supporting investors in their investment decisions. Credit Suisse Group is committed to the implementation of internationally accepted high standards of corporate governance. The Group observes the principles set out in the Swiss Code of Best Practice and is subject to the SWX Directive Governing the Disclosure of Information on Corporate Governance.

The Corporate Governance Guidelines adopted by the Board of Directors of Credit Suisse Group form the basis for a sound corporate governance framework and refer to other documents that govern certain individual aspects in

detail. As of year-end 2003, the Board of Directors of Credit Suisse Group had four standing committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. The Group's corporate governance has been rated as excellent in studies by independent parties.

### In dialog with society

Credit Suisse Group conducts a continuous dialog with its various stakeholders – including clients, shareholders, analysts, competitors, the media, regulators, political parties, international organizations and non-governmental organizations (NGOs). Furthermore, Credit Suisse Group participates in discussions about social challenges at various levels.

In its talks with politicians and the authorities, and when taking part in professional associations and working groups, Credit Suisse Group strives, among other things, to establish framework conditions that favor economic growth. Through its involvement in the Avenir Suisse think tank and other bodies, it is contributing to a proactive, scientific debate about subjects such as the ageing society, educational policy, deregulation, competition policy and the encouragement of innovation. Meanwhile, Credit Suisse Financial Services' Economic & Policy Consulting department analyzes key economic and political topics, proposing possible solutions in its well-researched studies.



Credit Suisse's survey of the Swiss public's concerns – the "Sorgenbarometer" – which a Swiss research institute carries out every year on behalf of the bank's client magazine "Bulletin", provides a good indication of the problems and issues which the general population believe are most pressing. The study thus takes the pulse of the Swiss people and contributes to the debate about the key challenges facing the country today.

With its launch of the Winterthur model, Winterthur reacted to changes in the demographic structure of Swiss society and thus not only proposed a solution for the long-term funding of occupational pensions, but also provided the impetus for a broad debate on a subject close to its heart.

In December 2003, the first UN World Summit on the Information Society was held in Geneva. Credit Suisse Group took this opportunity to participate in the global discussion about narrowing the digital divide between rich and poor. As a business, Credit Suisse Group is not only a heavy user of information technology but also sets standards in the further development of IT. The workshop, led by the Chief Information Security Officer of Credit Suisse Financial Services, enabled the transfer of knowledge about this issue – which was well received by all participants.

The results of Credit Suisse Group's dialog with NGOs are also illustrated by the example of the gas extraction plant on the Russian island of Sakhalin. Following a thorough analysis of the relevant environmental impact assessment, Credit Suisse First Boston decided in 2002 to become involved in the construction of the plant as a financial advisor. In summer 2003, the WWF launched a campaign against this project, partly to protect the local population of gray whales. Credit Suisse discussed the situation with the WWF and told it what measures were planned to make the project as environmentally sustainable as possible. Credit Suisse and WWF agreed to have the environmental conditions regularly examined by an independent party.



### Supporting non-commercial initiatives

All Credit Suisse Group institutions contribute to innovative charitable projects via both financial donations and the personal efforts of their employees. These commitments demonstrate the company's awareness that a business relies on the existence of a stable environment for itself and its employees, meaning that it has a responsibility to contribute towards improving the lot of disadvantaged people and to encourage a rich cultural life. Some illustrations from 2003 ➔:

- Credit Suisse Group's Jubilee Foundation: commitments to charitable and cultural projects. One major area of focus is the promotion of outstanding musical talent, for example with the Credit Suisse Young Artist Award and the Prix Credit Suisse Jeunes Solistes; another is its commitment to projects that involve people with disabilities, such as "Plusport Day", an annual event for 1,500 disabled and able-bodied sports enthusiasts;
- Credit Suisse Group's Donations department: support for numerous small and large-scale social and charitable institutions, as well as for educational organizations – with an emphasis on higher education in banking and finance in Switzerland;
- Credit Suisse First Boston Foundation, New York: support for educational projects for inner-city youth with a particular focus on community-based and after-school education programs in disadvantaged parts of the city, including programs that incorporate art, music, sport, recreation and community building;
- Credit Suisse First Boston European Charities Committee, London: The National Children's Home (NCH), Credit Suisse First Boston's Charity of the Year 2002, granted the "Helping the Children who Need it the Most" award to Credit Suisse First Boston in London in 2003;
- Credit Suisse First Boston Asia Pacific Philanthropic Committee, Hong Kong: support for building, renovating and equipping educational facilities in rural areas of lesser developed countries in the region;
- Winterthur: the main priorities are pension provision and accident prevention. The Winterthur Foundation for Accident and Loss Prevention is active in the prevention of traffic accidents, particularly those involving children. The Foundation "Zentrum am Obertor" encourages different generations to meet and integrate. The spirit of the Foundation is relived each day through education and meetings for all age groups.

The dedicated voluntary work of the employees and managers of Credit Suisse Group in bodies promoting culture, art, education and research, complements these commitments.

### Sponsorship

Credit Suisse Financial Services has long been a leading sponsor of Swiss cultural and sporting events. In the field of cultural sponsorship, Credit Suisse focuses on classical music, jazz and fine art. In addition to its commitment to outstanding performances by elite sportsmen and women and top performers, it has always paid attention to young talent. A good example of this is the Swiss Football Association, whose juniors celebrated a series of well-observed successes in 2003. The crowning glory of the bank's football sponsorship commitment was the Swiss national team's successful qualification for the 2004 European Football Championships.

#### The Splash Girls project for Aids orphans

"Splash Girls" is the name of a bicycle courier service in Bulawayo, Zimbabwe, which is run by young women aged between 18 and 23. They are all Aids orphans.

In autumn 2003, a group of Splash Girls accompanied their fellow couriers in Switzerland on their rounds in various Swiss cities, at the same time raising awareness of the plight of Aids orphans in Southern Africa. With every courier trip, money was raised for the expansion of the technical infrastructure that will create opportunities and work for more young women.

Credit Suisse Group helped to organize this international act of solidarity among bike couriers and publicized the project through its local branches.

### Strengths

- A wide range of charitable and community activities focused on a variety of social and cultural environments.
- Participation in debates about social challenges, proposal of concrete solutions (e.g. public finances, pension provision, growth policy, funding of higher education).
- Active dialog with stakeholder groups.

### Weaknesses


- Synergies between the worldwide philanthropic commitments of Credit Suisse Group are not yet sufficiently utilized.
- Credit Suisse Group's efforts and contributions in the social field are not sufficiently known to the general public.

### Next steps / objectives

- Maximum utilization of synergies between philanthropic commitments within Credit Suisse Group in order to increase the effectiveness of the contributions made.
- More active communication of Credit Suisse Group's contributions to society.
- Continued active stakeholder dialog and contributions to knowledge transfer.

In 1997, Credit Suisse Group became the first bank to have its environmental management system certified according to the ISO 14001 standard. Targeted measures are used to implement the Group-wide environmental policy globally.

### The commitment grows

The framework for its internal environmental management is provided by the international pledges signed by Credit Suisse Group, such as the UNEP Statement  and the UN Global Compact, as well as by its internal Code of Conduct. This framework represents Credit Suisse Group's commitment to being one of the world's leading institutions in the field of environmental management.

Credit Suisse Group is constantly adjusting its work in this area in the light of the latest developments. In 2000, for example, the Environmental Management System was recertified for the first time to cover all of the Group's banking locations around the world, as well as its insurance operations in Switzerland. The second recertification by SGS AG in 2003 confirmed that Credit Suisse Group is running its Environmental Management System to a high standard and improving it on a continuous basis. The main focus in future will be on maintaining the good standards achieved in environmental management. The internal directive used to regulate the Environmental Management System will thus be revised to take account of the altered conditions and to update procedures and priorities.

### Involvement of external partners

The sound state of Credit Suisse Group's Environmental Management System is attributable not only to the expansion of the system to include locations such as New York, London and Singapore, but also to the increasing involvement of key external partners. Individual agreements ensure that partner firms with environmental relevance respect Credit Suisse Group's standards and work to improve their own environmental performance. In autumn 2003, for instance, MIB AG Property + Facility Management, which manages Credit Suisse Group's operational premises in Switzerland, also had its environmental management system certified.

Another example is the outsourcing of the eco-risks unit (part of Swiss corporate credit management) to an external partner in 2003 due to cost factors. Here, too, appropriate contracts and audits were used to ensure that the examination of environmental risks would still be sufficiently well integrated into the Environmental Management System and meet the relevant standards. The effects of this change on the credit portfolio are being monitored.

### Energy determines environmental performance

Energy consumption is by far the largest direct impact that Credit Suisse Group has on the environment. Energy efficiency measures thus contribute considerably towards improving the company's environmental performance, and are also important with regard to the issue of climate change. When building new premises or renovating and maintaining existing buildings, the company follows appropriate environmental criteria, as the following examples show:

- Credit Suisse Group is one of Switzerland's largest investors in "Minergie" standards. Several of its buildings have been awarded this quality label for their particularly energy-efficient construction.
- As a result of close collaboration between the property management firm MIB AG Property + Facility Management and Credit Suisse Financial Services Real Estate + Provider Management, a wide-reaching project was launched in 2003 to optimize energy use at the bank's business premises through the use of heat recycling and free-cooling plants.



- A bundle of measures were implemented at Credit Suisse First Boston's offices in London in response to obligations arising from the energy accreditation awarded in 2002 by the UK National Energy Foundation. Various rehabilitation and optimization projects relating to climate control, ventilation and lighting, along with the use of energy-efficient IT technology, has already led to a 10% reduction in total energy consumption in only the second year.
- In New York, Credit Suisse First Boston also focused its operational ecology efforts on energy issues. Renovation of the cooling tower in the computer center, for example, led to a 10% increase in efficiency. Optimized lighting control also helped to cut electricity consumption significantly. With the launch of a waste campaign, waste disposal processes were further optimized and recycling rates for various materials were substantially improved. This also paid off financially.

#### Efforts at all levels

The continuous improvement of environmental management is a duty for staff at all levels and in all business areas. A good example of how this responsibility is put into practice is the reduction of total paper consumption at Credit Suisse Group's locations in Switzerland. Various measures initiated between 1999 and 2003 have resulted in a reduction of about one third in the amount of paper consumed. An internal working group is currently evaluating the practicability and business sense of further potential savings. Paper consumption has also been reduced at Credit Suisse First Boston. The use of copier paper per person has, for example, fallen by 18 percent since 2001.

- The use of video-conferencing as a cost-effective alternative to air travel increased by 15% at Credit Suisse First Boston compared to 2002.

#### Decision-making criteria pass practical test

A globally active corporation such as Credit Suisse Group works with numerous partners. At the end of 2002, a pilot project was launched in Switzerland under the name "Sustainable Procurement at Credit Suisse Group". Its aim was to formulate objective environmental and social criteria to be used by decision-makers when assessing product and service suppliers. It was important to ensure that these criteria could be integrated easily into existing supply management processes. Checklists were developed and their practical usefulness was confirmed when actual supply contracts were negotiated – feedback from the firms involved was positive. Subsequently, the checklists were integrated into a new electronic tendering system. In parallel with these efforts, Credit Suisse First Boston in London is also actively involved with a group of UK financial services providers that are formulating minimum environmental criteria for procurement and purchasing.

#### Energy still plays the central role

Energy remains the central concern of operational ecology at Credit Suisse Group in 2004. A key focus here for Swiss operating locations is the updating of the Energy Guidelines, which set out the main priorities and other objectives in this area. However, targeted energy-related action is already being taken today as part of wider rehabilitation projects; and at locations outside Switzerland, further energy-specific efforts are also a priority. The Group is also working on realizing potential savings in the area of paper consumption.

#### Strengths

- Leading sustainability rating agencies e.g. the Dow Jones Sustainability Indexes and FTSE4Good, rate Credit Suisse Group as "best-in-class".
- Recertification of the worldwide Environmental Management System under ISO 14001.
- Successful implementation of environmental and social standards in procurement.
- MIB AG, a key partner of Credit Suisse Group in Switzerland, has now also received its ISO 14001 certification.

#### Weaknesses

- The transfer of environmental know-how between business units is not always as good as it could be.
- Despite a strong drive to work electronically, the volume of paper used is still quite high.

#### Next steps / objectives

- Revision of the Group-wide directive about the Environmental Management System.
- Update energy targets for Swiss business premises and for the largest operating locations around the world.
- Realize further optimization potential in the area of paper use.



Dealing with sustainability involves identifying, assessing and appropriately managing risks, as well as creating attractive investment opportunities that generate added value in environmental or social terms.

### Review of environmental and social risks


The nature of risk has changed in recent years. As companies and their interaction with the outside world have become more complex, risks have also become increasingly diverse, and the number and scale of non-traditional risks has increased. Effective risk management thus has to identify environmental and social risks that might be associated with clients and projects at an early stage in order to avoid exposure to credit, reputation or liability risks.

At Credit Suisse Group, examining these risks is part of the risk management process – both when making credit decisions at Credit Suisse Financial Services and in investment banking activities at Credit Suisse First Boston. Internal directives define the procedures – and when transactions carry high levels of environmental risk, external experts are brought in to help.

An insurer such as Winterthur has a somewhat different focus. Potential threats have to be identified and evaluated at an early stage; it is only thus that the insurer's long-term success can be guaranteed. In particular, large-scale loss events such as hail, storms, earthquakes or floods, could affect all of Winterthur's insured portfolios in all markets. Ensuring as accurate an assessment of the potential risks as possible is therefore vital not only for the insurer's long-term price structure but also to protect society from major events that are of fundamental importance.

An internal unit uses scientific computer models to simulate the natural disasters that pose the greatest potential threat to the relevant insurance policies. Using these simulations, the experts subsequently determine the amount of reinsurance cover required. In addition, Winterthur has developed a code of conduct for underwriting and claims management, which defines the actuarial and ethical principles that must be applied in the various countries while taking account of local practices.

### Equator Principles

In June 2003, ten financial services providers signed up to the Equator Principles , marking a significant step forward in environmental risk assessment. This voluntary accord obliges the participating financial institutions – including Credit Suisse First Boston – to adopt a common approach when considering environmental and social risks in project finance. The assessment procedures are based on guidelines laid down by the World Bank. Projects are divided into different risk categories, and additional clarifications and action are initiated if required by the degree of risk involved.

The Equator Principles are consistent with the internal directives and processes that Credit Suisse First Boston had already been applying to determine these types of risks. However, the Equator Principles have – for the first time – given participating financial services providers a common terminology. By the end of 2003, 20 banks around the world had signed up to the Principles. In 2003, these 20 financial institutions collectively arranged funding for over 75% of the total market volume of project finance. The Equator Principles are a standard now applied almost industry-wide.

The further implementation of the Equator Principles is a priority for CSFB in 2004. Training programs for specialists are planned, based on documentation drawn up in conjunction with other financial services providers.





### Carbon Disclosure Project and energy contracting

Global climate change has brought potential risks and opportunities for companies which could ultimately have an impact on their business performance. In autumn 2003, Credit Suisse Group therefore joined a group of 87 institutional investors that form the Carbon Disclosure Project for the second time, to call on the world's 500 largest listed companies to disclose stock market-relevant information on greenhouse gases. This campaign increases transparency for investors interested in the possible risks and opportunities that climate change may bring for a business.

To promote synergies and economies of scale, and to facilitate the implementation of energy-efficient solutions, Credit Suisse Leasing has teamed up with the energy services forum Swiss Contracting to offer financing in this area. Between 2001 and 2003, finance already totaling CHF 85 million was provided in Switzerland for energy services based on district heating systems, wood-fired power stations, small-scale hydroelectric plants and similar facilities.

### Microfinance

To this day, hundreds of millions of people in developing countries are denied access to the formal banking sector because they cannot offer the required securities.

Microfinance ➡, a relatively new form of development cooperation, helps small and very small businesses in developing countries to help themselves. By taking out loans that are often as small as USD 50, micro-businesses can make their operations or their trading activities significantly more profitable. Access to such loans makes these entrepreneurs less dependent on middlemen, provides them with an opportunity to carry out additional value-added steps in the processing chain, or simply gives them a chance to achieve better prices for their goods in a more distant market place.

### Project financing for wind power

Last year, Credit Suisse First Boston was involved in project financing for a large-scale wind power project in the US. It arranged USD 380 million of funding for the energy company Florida Power and Light to finance seven wind power projects in four different regions within the US. These wind farms in the Midwest, California, Texas and New Mexico have a combined capacity of 697 megawatts. The transaction was the first of its kind in the US, and it demonstrates the business potential of wind energy.

Since it is viable from a commercial point of view, microfinance is a particularly promising initiative. And because a growing number of investors are looking for investment opportunities that offer a social return as well as a financial one, there is a healthy demand for microfinance instruments. Credit Suisse Group therefore joined other representatives of the Swiss financial services industry in 2003 to help create a platform to promote microfinance investment opportunities. The company created by these efforts, responsAbility AG, bridges the gap between the financial market and development cooperation; its innovative investment concept allows private and institutional investors to make investments that are of benefit in both economic and development terms.

### Sustainable investing

There has been a huge increase in the volume of sustainability investments over the last ten years. Although it is still a niche market, the range of products on offer in this area is continuing to grow. A study by Eurosif suggests that in the European market in 2003, over EUR 300 billion was invested according to what could broadly be described as sustainability criteria.

Credit Suisse Group was quick to bring environmental and ethical investment instruments to the market, and it has continued to steadily expand its product range in this area. This now extends from investment funds to industry products to tailor-made individual solutions.

The CS EF (Lux) Global Sustainability Fund, for example, follows a “best-in-class” approach. In addition to traditional financial analysis, sustainability analysis is conducted, meaning that the fund ends up containing a global mix of the best companies in each industry in terms of sustainability. Meanwhile, the CS Fellowship Fund chooses stocks by assessing a range of positive and negative criteria. It invests in UK companies that take a responsible line on the use of natural resources, as well as on environmental and social issues. Finally, the investment company Prime New Energy AG focuses on renewable energy, while the CSFB Global Water Basket concentrates on selected businesses involved in water supply and treatment. An overview of this topic and background information on the range of sustainable investment products offered by Credit Suisse Group can be found on the Internet at: [www.credit-suisse.com/sustainable-investments](http://www.credit-suisse.com/sustainable-investments).

In addition to these sustainability-oriented products, Credit Suisse Group also offers its clients the opportunity to apply individual environmental and ethical criteria to their portfolios. They can, for instance, use the Stock Screener – an equity analysis tool – to pinpoint sustainability stocks, or review an existing portfolio by means of ethical and environmental screening.

In the medium term, sustainability criteria are likely to be applied more and more to the structuring of institutional investors’ portfolios. The practicalities of implementation are currently being considered, e.g. by including corporate governance criteria in the analysis of stocks.

### Strengths

- Credit Suisse First Boston signed up to the Equator Principles and has thus been involved in developing a standard that applies almost industry-wide.
- Expansion of the range of sustainable products to include investment opportunities in microfinance.
- Active participation in projects and initiatives aimed at creating greater transparency for sustainability-oriented investors (e.g. Carbon Disclosure Project).

### Weaknesses

- Social and ethical aspects of risk assessment are not yet systematized in all areas.
- The broad range of products offering sustainable investment opportunities is not marketed actively enough.

### Next steps / objectives

- Training for further implementation of the Equator Principles.
- Increase awareness of the sustainable products range – including microfinance investment opportunities.
- Further steps on evaluating opportunities and risks relating to climate change.

## INFORMATION

### Validation

The Sustainability Report 2003 was validated by SGS AG, which stated for the record:

"We have examined the plausibility of the statements made in Credit Suisse Group's 2003 Sustainability Report using documentation and interviews and, wherever necessary, obtained the evidence required to back them up. We hereby confirm that the report has been produced with due diligence, that its content is correct, that the key aspects of Credit Suisse Group's sustainability management have been described, and that it is a true reflection of current practice."

Heinrich A. Bieler and Dr. Franz Heinzer  
Zurich, March 8, 2004

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In this year's corporate reports, we have chosen the work of Swiss artist Daniel Grobet to represent Credit Suisse Group's 360° approach to finance. In his hand-crafted iron sculptures, Daniel achieves a harmonious balance by carefully combining static and dynamic elements. ➔

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