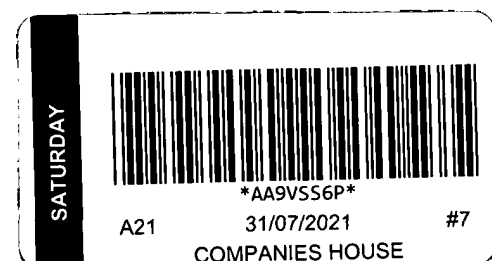


# American Express Group Services Limited

*Registered number 06613927*

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2020**



# American Express Group Services Limited

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## Report and Financial Statements for the year ended 31 December 2020

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# American Express Group Services Limited

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## Officers & Advisors

### DIRECTORS

C Allen  
J Hipkin  
C Malec

### SECRETARY

D Muddiman

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

### BANKERS

Lloyds Bank plc  
25 Gresham Street  
London  
EC2V 7HN

### REGISTERED OFFICE

Belgrave House  
76 Buckingham Palace Road  
London  
SW1W 9AX

# American Express Group Services Limited

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## Directors' Report for the year ended 31 December 2020

The Directors present their report and the audited financial statements of American Express Group Services Limited ("the Company" or "AEGSL") for the year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The Company is registered in England and Wales, domiciled in the United Kingdom and is part of the American Express Group of companies (the "Group" or "American Express"). The Company's immediate parent is American Express International Inc. and the Company's ultimate parent and controlling entity is American Express Company, both incorporated in the United States of America.

The principal activity of the Company is the provision of services to other companies within the American Express Group, predominantly in relation to the Global Network Services (GNS), Network Solutions and Operations (NS&O) and Accertify businesses.

### 2020 Business Transfer

On 1st February 2020, in order to rationalise the Group structure, the Company acquired the servicing business and transferrable net assets of affiliate companies Accertify Inc. UK branch and InAuth UK Limited. The book value of net liabilities acquired were £0.5m and consideration of £3.3m and £1.6m respectively was paid by the Company. The acquisition has been accounted for under the Company's business combinations, acquisitions and disposals accounting policy.

### Governance

The Directors are responsible for managing the Company's affairs and for ensuring that the operations of the Company are carried out effectively and with due regard to the reputation of American Express and the requirements imposed upon it by law, regulation and relevant regulatory bodies.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 16 and show the profit before taxation for the year ended 31 December 2020 of £27.4m (2019: £31.2m). The profit after taxation for the financial year was £22.1m (2019: £25.3m) and has been transferred to reserves. The Directors do not propose the payment of dividend (2019: £nil). Total Shareholders' Funds at 31 December 2020 stood at £226.7m (2019: £211.0m). The Financial Performance section of the Strategic Report gives a more detailed review of the Company's performance indicators.

### FINANCIAL RISK MANAGEMENT

The Company's operations expose it to limited financial risks. An overview of these risks and how they are managed by the Company is included in the Financial Risk Management section of the Strategic Report.

### FUTURE DEVELOPMENTS

In line with Group strategy, the Company is focused on maintaining growth in an uncertain economic and political environment, whilst managing costs and upholding service quality. The Strategic Report includes an Outlook, Risks and Uncertainties section which considers how future developments may impact the Company.

### DIRECTORS

The Directors of the Company who served during the year and up to the date of signing the financial statements were:

C Malec - Chair  
C Allen  
J Hipkin

# American Express Group Services Limited

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## Directors' Report for the year ended 31 December 2020 (Continued)

### DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006, and as outlined in the Company's Articles of Association. Such qualifying third-party indemnity provision was in force during the financial year and remains in force as at the date of approving the Directors' Report.

### EMPLOYEE ENGAGEMENT STATEMENT

The American Express workforce within the UK, including, but not limited to, the Company's employees, is split among multiple UK-based legal entities. Consequently, many of the Company's interactions with its employees, being cross functional in nature, are managed at a centralised level.

At American Express, our colleagues are constantly redefining what's possible and we're proud to back each other every step of the way. American Express provides a meaningful career journey, an inclusive and diverse workplace where every voice is valued, learning experiences to allow our colleagues to deliver their best, and holistic wellbeing support for every stage of their lives and careers.

There is a strong commitment to inclusion and diversity, ensuring all employees can be themselves at work; grow their careers; and enable great results. The Company fosters an inclusive workforce culture through leading best practices such as pay equity processes with transparent guiding principles; supporting career progression; and enabling a broad range of flexible working practices.

In 2020, American Express was once again voted one of the Top 10 Employers in the UK by Working Families, the UK's leading work-life balance organisation. American Express was also voted one of the Top 25 employers in the UK in the Glassdoor Best Places to Work list in 2020.

American Express backed our colleagues in response to the COVID-19 pandemic in several ways throughout 2020. First, American Express moved to a full-time work from home arrangement in all office locations around the world within a two week period. Whilst offices remained closed, American Express paid base pay to colleagues who were unable to work from home through 2020. The Company was also committed to no COVID-19 related layoffs in 2020 to ensure that colleagues felt secure in their jobs and had the flexibility and support they needed to stay safe and healthy. Finally, American Express' work from home policy has been extended through September 2021 to offer colleagues more flexibility to balance work and family obligations and to remain safe. Looking forward, we continue to take a principled approach to reopening our offices in line with government guidelines, with the safety of our employees our priority at all times. Given that, all employees are eligible for paid time off to attend their COVID-19 vaccination appointment if it needs to take place during working hours.

It is the Company's policy not to discriminate against anyone or treat anyone less favourably than others on the basis of their disability or any protected characteristic. Opportunities for employment, training and promotion are equally open to all candidates. Selection for employment, promotion, transfer and training, and access to benefits, facilities and services are fair and equitable and based solely on merit, implementing workplace adjustments where appropriate. The Company has a dedicated Workplace Adjustments team and obtains additional advice, assessment and provision through a specialist external provider. The Company has a well established Disability Awareness Network (DAN) open to all employees across the organisation. The DAN seeks to create a fully inclusive workplace where employees with disabilities are encouraged and enabled to reach their full potential, through an environment that recognises, develops and leverages their talent. The Group has also established a strategic and multi-functional Disability Council which uses the Business Disability Forum's Disability Standard to ensure the Group continues to work towards becoming a disability confident organisation. Furthermore, the Group has an active Diversity Council that partners with over twelve Colleague Networks to enable inclusion and diversity; and has delivered mandatory Inclusive Leadership training for all senior leaders; this has also been cascaded through the Company.

# American Express Group Services Limited

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## Directors' Report for the year ended 31 December 2020 (Continued)

### EMPLOYEE ENGAGEMENT STATEMENT (Continued)

In 2020, American Express further deepened its commitment to Inclusion and Diversity by creating an Office of Inclusion, Diversity, and Business Engagement, directly reporting to the CEO. This Office is designed to strengthen Inclusion and Diversity across the Company's brand, culture, colleague base, customers, business partners, and community. American Express also launched Self-Identification, a voluntary effort designed to give colleagues the opportunity to share their diversity data with the Company, including their gender identity and sexual orientation. The initiative is designed to inform diversity, career and learning strategies and strengthen the Company's inclusive culture so that everyone feels invited to bring their whole selves to work.

Employee mental health is a priority for the Group, and the Company has a number of initiatives and resources to support employee mental wellbeing. The Company has a team dedicated to health and wellbeing, which oversees the Healthy Living Hub (a wellbeing concierge service), the Healthy Minds Employee Assistance Programme with licensed counselors offering virtual and in person sessions, two Emotional wellbeing Therapists onsite offering Cognitive Behavioral Therapy and counseling, education and training, plus an online emotional wellbeing support platform. The Company also offers GP, nurse and Virtual GP services for fast and easy access to healthcare, as well as providing frequent webinars and virtual wellbeing sessions covering topics such as stress management, resiliency, mindfulness, and work life balance.

Consultation with employees and their representatives, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests; and ensuring they are aware of the financial and economic performance of their business units and of the Company as a whole, is well established. Communication continues through regular internal communications, newsletters and briefing groups. The Group carries out an annual employee survey with a strong record of favorable results of which the results are communicated to all employees, discussed by the Board and acted upon if necessary.

The Company aims to achieve a balance between delivering market competitive remuneration in order to attract and retain talent; and optimizing shareholder return. Eligible employees participate in the American Express Company equity-settled share-based payment plans. Eligibility is based on seniority and the awards are performance driven. A description of the plans and performance measure is available in the American Express Company's financial statements. See Note 4 for a summary description of the plans and the awards granted and outstanding during the year.

### STAKEHOLDER ENGAGEMENT STATEMENT

The Board recognises that the fostering of good business relationships is crucial to the long-term success of the Company and Group as a whole. To this end, the Company has implemented an escalation framework so that issues impacting key stakeholders are escalated to the Board for its consideration. Given the Company has no external customers, the key stakeholders for the Company are considered to be the other companies within the American Express Group who benefit from the services provided; and the Company's employees who form the majority of the expense base and are responsible for providing the services.

The Company has continued to support and develop its employees throughout the year, as further detailed in the Employee Engagement Statement. The Company's principal decisions during the financial year ended 31 December 2020, were centred around the Company's response to COVID-19. During the year the Board was kept updated on the steps that were being taken to ensure the safety of the Company's employees in light of the COVID-19 pandemic, including measures to provide a safe work environment in each of our offices and enabling our employees to work from home wherever possible. Accordingly, the services provided to other Group companies were able to continue as normal with no adverse impacts as a result of the pandemic.

### STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As part of the Company's commitment to comply with all relevant environmental legislation, this section of our Directors' Report discloses our operational energy consumption and carbon footprint in line with the UK government's SECR initiative, including data from this and the previous financial year.

# American Express Group Services Limited

## Directors' Report for the year ended 31 December 2020 (Continued)

### STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

Climate change represents one of the greatest challenges facing our planet, and at American Express we are committed to supporting the transition to a low-carbon economy to meet the science-based recommendations of the Intergovernmental Panel on Climate Change (IPCC). In 2018, we became a CarbonNeutral® company and began powering our operations with 100% renewable electricity through on-site solar, renewable energy credits, carbon offsets and reduced greenhouse gas (GHG) emissions. We are committed to maintaining these efforts moving forward.

#### Methodology

American Express emissions are calculated in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions we are responsible for across scopes 1, 2 and 3:

- Scope 1\* – Direct emissions from mobile fleet vehicles\*\*, stationary combustion of fuels in buildings, and fugitive HFC emissions from air conditioning systems
- Scope 2 – Indirect emissions from purchased electricity
- Scope 3 – Other indirect emissions from business travel in employee-owned vehicles \*\*

The operation of internal data centers, office facilities, mobile fleet vehicles and business travel are our main sources of GHG emissions. Data is gathered on an ongoing basis, with primary evidence being sourced from office managers and managed centrally via the GHG Emissions Reporting Operating Procedure.

In order to better reflect the environmental benefit of purchasing renewable energy and in line with the GHG Protocol Scope 2 Guidance, we quantify and report two Scope 2 emissions totals from purchased electricity: using both 'market-based' and 'location-based' methods. Market-based emissions consider the contractual arrangements under which we procure power from specific sources such as renewable energy. Location-based emissions consider the average emission factors for the electricity grids that provide electricity to American Express. To estimate GHG emissions associated with the fugitive release of hydro fluorocarbon (HFC) gases from space cooling in our buildings, the refrigerant charge for each facility is estimated based on the square footage of air-conditioned space, using rules of thumb for cooling capacity required per square foot and refrigerant charge per cooling capacity. To estimate emissions, the total refrigerant charge is multiplied by annual leakage rates from the US EPA. It is conservatively assumed that estimated facilities use the refrigerant HFC-134a.

The primary metric that American Express use for normalizing emissions for annual comparison is tCO<sub>2</sub>e per employees.

#### UK Annual Energy and Carbon

Due to the nature of our business, in some instances multiple reporting entities occupy the same office space and so are jointly responsible for energy consumed in that particular space. For SECR purposes, American Express have estimated entity-specific UK energy consumption and GHG emissions based on the proportion of each entity's employee headcount within that space. The following tables summarize the entity-specific energy consumption and subsequent emissions.

\* Fuel economy conversion for Scope 1 emissions is US government based to align with corporate level inventory reporting and sourced from the US EPA Emissions Factor Hub

\*\* For global reporting, we quantify energy consumption (and therefore GHG emissions) from the vehicle fleet based on the number of vehicles in operation. Specifically, each vehicle in operation is conservatively assumed to travel 15,000 miles per year regardless of actual miles driven. Then, the assumed fuel economy of the vehicle fleet is used to quantify fuel consumption. For SECR reporting, we quantify energy consumption (and therefore GHG emissions) from the UK vehicle fleet based on actual mile reports for each UK entity. Emissions and fuel economy conversions are US government based to align with corporate level inventory reporting. Gasoline emission factors are sourced from the US EPA Emissions Factor Hub.

# American Express Group Services Limited

## Directors' Report for the year ended 31 December 2020 (Continued)

### STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

As part of our public disclosure, the American Express ESG Report includes a detailed section summarizing our global energy consumption and global GHG inventory. The following link provides access to our latest ESG Report: <https://about.americanexpress.com/corporate-responsibility/reports/corporate-responsibility-reports/default.aspx>

As shown below (Table 1 and 2), American Express had a reduction in both total energy and emissions compared to the previous year. The intensity ratio has also shown a reduction when comparing between 2019 and 2020 as shown in Table 3.

**Table 1: Annual Energy Consumption**

Energy	Unit	2020	2019
Natural Gas	kWh	177,147	185,244
Fuel Oil	kWh	1,897	1,011
Mobile Fuel	kWh	339	—
<b>Total Direct Energy Consumption</b>	<b>kWh</b>	<b>179,383</b>	<b>186,255</b>
Purchased electricity	kWh	461,681	476,498
Solar	kWh	699	609
<b>Total Intermediate Energy Consumption</b>	<b>kWh</b>	<b>462,380</b>	<b>477,107</b>
<b>Transport</b>	<b>kWh</b>	<b>1,082</b>	<b>4,801</b>
<b>Total</b>	<b>kWh</b>	<b>642,845</b>	<b>668,163</b>

**Table 2: Annual tCO<sub>2</sub>e emissions**

Greenhouse Gas (GHG) Emissions	Unit	2020	2019
Scope 1 – Direct	tCO <sub>2</sub> e	40.95	40.22
Scope 2 (Location) – Indirect	tCO <sub>2</sub> e	107.64	121.79
Scope 2 (Market) – Indirect	tCO <sub>2</sub> e	—	—
Scope 3: Category 6 – Business Travel	tCO <sub>2</sub> e	0.44	1.94
<b>Total (Location)</b>	<b>tCO<sub>2</sub>e</b>	<b>149.02</b>	<b>163.95</b>
<b>Total (Market)</b>	<b>tCO<sub>2</sub>e</b>	<b>41.39</b>	<b>42.16</b>

**Table 3: tCO<sub>2</sub>e vs normalization metric**

Intensity Ratio	Unit	2020	2019
<b>Market-based</b>	tCO <sub>2</sub> e/employees	0.1511	0.1943
<b>Location-based</b>	tCO <sub>2</sub> e/employees	0.5439	0.7556

### Efficiency Measures

American Express' Global 2025 Environmental Goals include covering 60% of our operations by Green Building certifications, reducing energy usage by 35% (from a 2011 baseline), continuing to power our operations with 100% renewables and remaining carbon neutral across our operations. American Express has maintained its CarbonNeutral certification through reducing emissions by investing in internal energy efficiency measures, supporting the production of renewable energy and financing projects to offset emissions.



# American Express Group Services Limited

## Directors' Report for the year ended 31 December 2020 (Continued)

### STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Continued)

To help achieve our target of reducing absolute energy consumption, we are making a conscious effort to increase energy efficiency. We have evaluated several cost-effective energy efficiency measures across our portfolio. Some examples of measures identified from recent audits include:

**Table 4: Energy Efficient Projects**

Location	Project Name	Savings (kWh)	Savings (£)	Cost (£)	Status	Payback
1 John Street	Gas AMR	32,690	659		Implemented	
36 Mighell Street	Gas AMR	1,520	31	1,573	Implemented	1-3 Years
Sussex House	Gas AMR	13,760	277		Implemented	
Sussex House	Optimization of the IT room cooling systems controls	43,875	4,874	4,710	Implemented	<1 Year
Sussex House	Desk phones removed	18,870	2,614	—	Implemented	<1 Year
Sussex House	4 EV chargers installed	—	—	7,170	Implemented	—
1 John Street	Desk phones removed	57,658	7,712	—	Implemented	<1 Year
Belgrave House	Desk phones removed	62,899	8,413	—	Implemented	<1 Year
Belgrave House	Installation of timers to control TV screens	657	77	80	Implemented	1-3 Years
Belgrave House	Lighting system of the MER upgraded to LED	11,133	1,236	802	Implemented	<1 Year

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## American Express Group Services Limited

### Directors' Report for the year ended 31 December 2020 (Continued)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS (Continued)

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Directors' Confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### CREDITOR PAYMENT POLICY

It is Company policy to pay vendors 60 days after receipt of a correct, undisputed, timely provided and properly due VAT invoice unless specific payment terms dictate otherwise. The Company has a range of payment tool options that can allow suppliers to be paid faster than the standard 60 days. The Company's average creditor period, calculated by reference to the ratio of trade creditors at 31 December 2020 to amounts invoiced during the year, was 12 days (2019: 17 days).

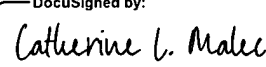
#### POLITICAL AND CHARITABLE CONTRIBUTIONS

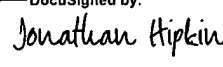
During the year, the Company made no donations to advance the causes of charitable organisations (2019: £nil), as all charitable contributions are made by American Express Corporate Social Responsibility on behalf of the Group. No donations were made by the Company for political purposes (2019: £nil).

#### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed as auditors under section 487(2) of the Companies Act 2006.

The financial statements on pages 17 to 43 were approved by the Board of Directors on 12 July 2021 and signed on its behalf by:

DocuSigned by:  
  
37A004F3BB1245F...  
C Malec  
Chair

DocuSigned by:  
  
4ADE03F94D7F468...  
J Hipkin  
Director

12 July 2021

# American Express Group Services Limited

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## Strategic Report for the year ended 31 December 2020

The Directors present their Strategic Report of American Express Group Services Limited for the year ended 31 December 2020.

### BUSINESS REVIEW

#### Objectives of the Company

The key objective of the Company is to provide high quality services to other American Express Group companies.

#### Business Strategy

The Company is focused on the key services which it provides. It aims to be appropriately remunerated for the services it provides and the costs it incurs.

The Company provides international services including supporting the GNS, NS&O and Accertify businesses.

#### Employee Strategy

To support business objectives, key employee-related strategies include:

- Deliver a great employee experience, with leading inclusion and diversity practices at the forefront;
- Grow the best talent, including the best-in-class people leaders; and
- Develop new ways of working to unlock enterprise value by focusing on continuous improvement, ensuring that total rewards fuel individual and enterprise performance, and creating an environment where wellbeing is a focus for all employees.

### FINANCIAL PERFORMANCE

A number of performance indicators are used to monitor the Company's progress against its strategies and objectives. As part of the monitoring of the Company's financial performance, the Directors review the costs incurred and cost recovery. In addition, non-financial indicators are monitored including average number of employees.

For the services provided to American Express Limited ("AEL") in support of the GNS business, the Company continues to be remunerated through an allocation of the net profit pool reported in AEL in respect of that business. In 2020, the overall net profit pool reported in AEL decreased as compared to 2019, resulting in a £3.4m decrease in profit allocation, with an additional £6.1m decrease in charges to other Group companies in line with a decreased cost base. As a result, the Company has recorded turnover for the year ended 31 December 2020 of £73.2m (2019: £82.7m) and a profit before taxation of £27.4m (2019: £31.2m). The retained profit for the financial year was £22.1m (2019: £25.3m) and has been transferred to reserves. The capital position of the Company increased during the year as reflected by Total Shareholders' Funds of £226.7m as at 31 December 2020 (2019: £211.0m).

### FINANCIAL RISK MANAGEMENT

The Company's operations expose it to limited financial risks. Due to the way that the Company is remunerated for certain services, the level of revenue recorded by the Company is linked to the performance of the GNS business. However, the Company's income under this arrangement will never fall below actual costs incurred.

The Company primarily adopts the American Express Group's Enterprise-Wide Risk Management ("ERM") program policies and strategies. The objective of the ERM is to identify, aggregate, monitor and manage risks in order to maintain and continuously improve risk management controls and processes that will enable profitable growth, while delivering outstanding customer service.

# American Express Group Services Limited

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## Strategic Report for the year ended 31 December 2020 (Continued)

### FINANCIAL RISK MANAGEMENT (Continued)

#### Credit Risk

Credit risk is the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation. The Company is not considered to be subject to any significant credit risk as it only provides services to other American Express Group companies.

The Group operates a funding arrangement under which amounts owed by group undertakings are cash settled on a monthly basis, with any resulting cash surplus being loaned to affiliate entities through interest-bearing loans. Group financing arrangements are such that in the event a loan is not recoverable, support would be provided by the parent entity. Therefore the level of credit risk attached to intercompany positions is limited.

#### Market Risk

Market risk is the risk to earnings or asset and liabilities values resulting from movements in market prices. The Company's market risk exposure includes:

- Interest rate risk driven by changes in the relationship between the interest rates on the Company's assets and the interest rates on the Company's liabilities; and
- Foreign exchange risk arising from earnings, funding and transactions in currencies other than the functional currency.

The Company adopts the Market Risk Policy within the ERM program, which establishes processes and criteria to minimise earnings volatility while supporting sustainable profit growth in relation to interest rate risk management.

##### *(i) Interest Rate Risk*

The Company has interest-bearing assets, primarily cash and intercompany loans, that receive interest at floating short-term rates. These are managed in line with enterprise-wide Market and Liquidity Risk Policies.

For the purposes of interest rate risk management, the Company does not enter into any contract that gives rise to the recognition of derivative financial instruments for trading purposes.

##### *(ii) Foreign Currency Risk*

Foreign exchange risk is generated by cross currency transactions and foreign currency balance sheet exposures. The Company is not ultimately exposed to any transactional foreign exchange gains or losses as they are borne by a related Group entity.

#### Funding and Liquidity Risk

Funding and liquidity risk is defined as the inability of the Company to meet its ongoing financial and business obligations as they become due at a reasonable cost.

The Company primarily adopts the enterprise-wide Funding and Liquidity Risk Policy, which aims to ensure diversified funding during business as usual periods by source, maturity and instrument and that the Group can continuously meet all of its liquidity needs throughout scenarios in which it cannot access the capital or money markets for up to 12 months.

The Group manages funding and liquidity risk by maintaining access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that each American Express operating company can continuously meet its business requirements and expected future finance obligations for at least a 12 month period, even in the event it is unable to raise new funds under its regular funding programs. The Group balances the trade-offs between maintaining too much liquidity, which can be costly and limit financial flexibility, and having inadequate liquidity, which may result in financial distress during a liquidity event.

The Board are informed of any changes in Group funding policy or practices that would materially affect the Company and its ability to continuously fund its business requirements.

# American Express Group Services Limited

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## Strategic Report for the year ended 31 December 2020 (Continued)

### STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company. Furthermore, it is important that they understand both the short and long-term consequences of these decisions.

The following paragraphs summarise how the Directors fulfil their duties:

#### 1. Risk management

For details of the Company's principal risks and uncertainties, please refer to the Financial Risk Management section.

The Company has a robust internal control framework with clear roles and responsibilities for escalation and remediation of risks. The framework consists of governance, risk assessment, issue management, and reporting and monitoring by which the Company identifies, assesses, measures, monitors and controls risks facing the business. The Company has the "three lines of defense" approach to risk management, with independent testing by the Group's internal audit function to ensure the first line of defense is operating effectively.

During the year, this framework and risk management approach was utilised in the context of the decision to transfer the servicing businesses of InAuth UK Limited and Accertify Inc., UK branch into the Company. The Board was briefed on the proposal and, after due consideration of the risks involved, provided their approval for the transfer to be executed on 1st February 2020.

Although no principal decisions were taken in relation to COVID-19 during the year, the Board was regularly updated on the impact of COVID-19 to the Company and the lines of business which it supports.

#### 2. Our People

The Company is committed to be a responsible business. The Board's behavior on behalf of the Company is aligned with the expectations of our people, customers, investors, communities and society as a whole. People are at the heart of what the Company does. For the Company's business to succeed, the Directors are ultimately responsible for managing employee performance and development, bringing through talent whilst ensuring that the Company operates as efficiently as possible. The Board must also ensure that all Company employees share common values that inform and guide their behaviour, so they achieve their goals in the right way.

During the year, the Board was kept informed on the steps that were being taken to ensure the safety of the Company's employees in light of the COVID-19 pandemic, including measures to provide a safe work environment in each of our offices and enabling our employees to work from home wherever possible. In order to mitigate the associated risks and keep employees sufficiently informed and reassured throughout this period

# American Express Group Services Limited

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## Strategic Report for the year ended 31 December 2020 (Continued)

### STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

#### 2. Our People (Continued)

of uncertainty, the Board ensured that appropriate actions were taken by the relevant departments (e.g. HR, Global Real Estate, Global Security and Global Services Group).

For further details on our people, please refer to the Employee Engagement Statement in the Directors' Report.

#### 3. Business relationships

The Company's strategy, implemented by the Directors, is focused on the key services it provides, whilst ensuring it continues to be appropriately remunerated by other Group entities.

The Company's employees are key to delivering a best in class service, so the Directors are focused on delivering a great employee experience, growing the best talent and creating an environment where wellbeing is a focus for all. For further details on our people, please refer to the Employee Engagement section of the Directors' Report.

The Company has no external customers, with all services being provided to other companies within the American Express Group. For certain services, the Company is remunerated based on the performance of the GNS business, with the Directors receiving an update on the performance of that business at every Board meeting.

There have been no principal decisions to be made by the Board that would impact business relationships during the year ended 31 December 2020. Were any issues to arise, these would have been escalated to the Board and decisions would be taken in the best interests of the Company's key stakeholders, with due consideration to the risks involved.

#### 4. Community and environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Board, on behalf of the Company, wants to leverage the expertise of its people and enable employees to support local communities.

The Directors do this in three ways: providing leadership training that empowers local social-sector leaders to create sustainable change; helping citizen volunteers to improve their communities; and preserving diverse, vibrant historic places. By providing critical services that contribute to economic stability and mobility, the non-profit sector plays a vital role in building a healthy society. Through our philanthropic and civic participation, the Company serves and empowers the people and organisations that are confronting some of society's most complex issues.

The Company, along with the Group's approach to environmental stewardship within its operations includes a focus across various themes, such as energy and emissions management, waste management, third-party green building certifications, and responsible sourcing. American Express prioritises the management and improvement of its own footprint, including the environmental impacts of our offices and operations. It is also powering its network and data centres more efficiently and with the use of renewable resources, as well as exploring more sustainable payment solutions, including utilising reclaimed ocean-bound plastic to make its cards. Finally, the Company strives to work with diverse suppliers and source environmentally and socially responsible products and services from approved third-party vendors.

Although there were no significant events during the year in relation to the community or the environment that warranted escalation to the Board or specific consideration by the Company rather than the Group, if such an event were to arise it would be escalated to the Board through the Company's existing risk management and governance framework. For further details concerning the environment please refer to the 'Streamlined Energy and Carbon Reporting' section within the Directors' Report.

## American Express Group Services Limited

### Strategic Report for the year ended 31 December 2020 (Continued)

#### STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

##### 5. Shareholders

The Company is a wholly owned subsidiary within the American Express Group, who's ultimate parent is listed on the New York Stock Exchange. The Board of American Express Company is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to American Express that shareholders understand our strategy and objectives, so these must be explained clearly, feedback received, and any issues or questions raised and properly considered. The Board of AEGSL ensures that it applies consistent shareholder priorities. To this end, the Board regularly reviews its business strategy to ensure the steps being taken in this regard align with shareholder priorities and that said strategies maximise shareholder return.

##### OUTLOOK, PRINCIPAL RISKS AND UNCERTAINTIES

In line with Group strategy, the Company is focused on maintaining growth in an uncertain economic and political environment whilst managing costs and upholding service quality.

Having a lean and flexible operating structure is a critical element in the Company's strategy. To help in that regard, the Company periodically undertakes restructuring initiatives to further reduce its operating costs by reorganising certain operations. The goal is to make the Company more flexible, more efficient and more effective in using resources to help drive growth across the Group.

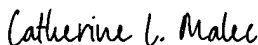
During 2020, the COVID-19 pandemic and containment measures have contributed to increased business and financial risks to the wider American Express Group, but the impact on the Company has not been significant, given all of the Company's expenses are charged onto other Group entities, and revenue from the GNS profit allocation can never fall below actual costs incurred.

The liquidity levels and capital position of American Express Company remains very strong, with access to broad and well diversified funding sources, and capital ratios that are well above targets and regulatory requirements. These robust liquidity and capital levels provide the Group with significant flexibility to maintain the strength of its balance sheet, invest in future growth opportunities and return capital to shareholders through share repurchases and dividend payments, subject to regulatory considerations. Accordingly, the recoverability of amounts due from affiliates, and continued access to Group liquidity sources is not considered to be significantly at risk.

The Company expects to continue to provide services to other companies within the American Express Group for the foreseeable future.

After making enquiries, the Directors consider the Company to have a strong capital and liquidity position and be well supported by the American Express Group, therefore having a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Strategic Report was approved by the Board of Directors on 12 July 2021 and signed on its behalf by:

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C Malec  
Chair

DocuSigned by:  
  
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J Hipkin  
Director

12 July 2021

# Independent auditors' report to the members of American Express Group Services

## Report on the audit of the financial statements

### Opinion

In our opinion, American Express Group Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.



## Independent auditors' report to the members of American Express Group Services (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles and compliance with Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;

## Independent auditors' report to the members of American Express Group Services (Continued)

- Identifying and testing journal entries, including duplicates and reversals, backdated items, created and approved by the same individual and journals of post close entries; and
- Review of the company's whistleblowing policy and code of conduct.

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

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Daniel Pearce (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 July 2021

# American Express Group Services Limited

## INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
<b>TURNOVER</b>	3	73,248	82,656
Administrative expenses		(47,867)	(54,256)
<b>OPERATING PROFIT</b>		<b>25,381</b>	28,400
Interest receivable and similar income	6	2,011	2,754
<b>PROFIT BEFORE TAXATION</b>	7	<b>27,392</b>	31,154
Tax on profit	8	(5,312)	(5,858)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>22,080</b>	25,296

The Notes on pages 21 to 43 form an integral part of the financial statements.

## American Express Group Services Limited

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### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2020

	2020 £000	2019 £000
Profit for the financial year	<u>22,080</u>	<u>25,296</u>
Total comprehensive income for the year	<u>22,080</u>	<u>25,296</u>

The Notes on pages 21 to 43 form an integral part of the financial statements.

# American Express Group Services Limited

## BALANCE SHEET

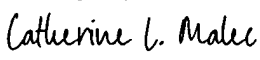
As at 31 December 2020

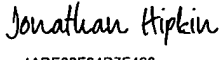
Registered number: 06613927

	Note	2020 £000	2019 £000
<b>NON-CURRENT ASSETS</b>			
Tangible assets	9	744	3,490
Deferred tax assets	8	1,406	2,273
		<u>2,150</u>	<u>5,763</u>
<b>CURRENT ASSETS</b>			
Debtors	10	235,906	223,171
Cash at bank and in hand	11	1,537	606
		<u>237,443</u>	<u>223,777</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>(12,829)</u>	<u>(17,108)</u>
<b>NET CURRENT ASSETS</b>		<b>224,614</b>	<b>206,669</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>226,764</b>	<b>212,432</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	—	(858)
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(54)</u>	<u>(546)</u>
<b>NET ASSETS</b>		<u><b>226,710</b></u>	<u><b>211,028</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	—	—
Share-based payment reserve		10,584	11,503
Retained earnings		<u>216,126</u>	<u>199,525</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><b>226,710</b></u>	<u><b>211,028</b></u>

The Notes on pages 21 to 43 form an integral part of the financial statements.

The financial statements on pages 17 to 43 were approved by the Board of Directors on 12 July 2021 and signed on its behalf by:

DocuSigned by:  
  
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 C Malec  
 Chair  
 July 12, 2021

DocuSigned by:  
  
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 J Hipkin  
 Director

# American Express Group Services Limited

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Registered number: 06613927

	Called up share capital	Share- based payment reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000
<b>At 1 January 2020</b>	—	11,503	199,525	211,028
Profit for the financial year	—	—	22,080	22,080
<b>Total comprehensive income for the year</b>	—	—	<b>22,080</b>	<b>22,080</b>
Acquisition of Accertify Inc UK branch and InAuth UK Limited businesses	—	—	(5,479)	(5,479)
Share based payment charge	—	2,967	—	2,967
Recharge paid to parent for share based payments	—	(3,337)	—	(3,337)
Current and deferred tax movements in equity	—	(549)	—	(549)
<b>At 31 December 2020</b>	<b>—</b>	<b>10,584</b>	<b>216,126</b>	<b>226,710</b>

	Called up share capital	Share- based payment reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000
<b>At 1 January 2019</b>	—	10,598	174,229	184,827
Profit for the financial year	—	—	25,296	25,296
<b>Total comprehensive income for the year</b>	—	—	<b>25,296</b>	<b>25,296</b>
Share based payment charge	—	4,888	—	4,888
Recharge paid to parent for share based payments	—	(4,546)	—	(4,546)
Current and deferred tax movements in equity	—	563	—	563
<b>At 31 December 2019</b>	<b>—</b>	<b>11,503</b>	<b>199,525</b>	<b>211,028</b>

The Notes on pages 21 to 43 form an integral part of the financial statements.

# American Express Group Services Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of American Express Group Services Limited (the “Company” or “AEGSL”) for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 12 July 2021 and the balance sheet was signed on the Board’s behalf by C Malec and J Hipkin.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company is able to take advantage of certain disclosure exemptions available under FRS 101 as it is a wholly owned subsidiary of American Express Company.

The Company is a private company limited by shares, registered in England and Wales, domiciled in the United Kingdom and is part of the American Express Group of companies.

The Company’s immediate parent is American Express International Inc., incorporated in the United States of America, which is the parent undertaking of the smallest group in which the Company’s results are consolidated. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America, which is the parent undertaking of the largest group in which the Company’s results are consolidated. Copies of the American Express International Inc. and American Express Company financial statements can be obtained from American Express Company, American Express Tower, World Financial Center, New York, NY 10285, USA.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in the preparation of these financial statements are set out below.

#### 2.1 Basis of preparation

The financial statements are prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The financial statements are prepared on a going concern basis under the historical cost convention, modified by the revaluation of certain financial instruments and derivatives to fair value through profit and loss. The functional currency is pounds sterling (£) and the financial statements are presented in pounds sterling with values rounded to the nearest thousand (£’000) unless otherwise stated.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.19.

The Company has taken advantage of the following disclosure exemptions allowed under FRS101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share-based payment’ (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosure are included in the consolidated financial statements of the group in which the entity is consolidated;
- the requirements of paragraph 52 of IFRS 16 Leases;

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- the requirements of IFRS 7 'Financial Instruments: Disclosures' provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- the requirements of IFRS 13 'Fair Value Measurement' paragraphs 91-99, provided that equivalent disclosures are included in the financial statements of the group in which the entity is consolidated;
- the requirements of IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- the requirements of the following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) *statement of cash flows*;
  - 10(f) *balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements*;
  - 16 *statement of compliance with all IFRS*;
  - 38(a) *requirement for minimum of two primary statements, including cash flow statements*;
  - 38(b)-(d) *additional comparative information*;
  - 111 *cash flow statement information*; and
  - 134-136 *capital management disclosures*
- the requirements of IAS 7 'Statement of Cash Flows' to prepare a statement of cash flows;
- the requirements of IAS 8 'Accounting Policies Changes in Accounting Estimates and Errors' paragraphs 30 and 31, concerning new IFRS that have been issued but are not yet effective;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a) 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- the requirements of IAS 24 'Related Party Disclosures' paragraphs 17 and 18 to disclose the compensation of key management personnel; and
- the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### (a) Standards and Interpretations effective in 2020

The Company has adopted the following standards and amendments to standards with an initial date of application of 1 January 2020:

- **Definition of Material – Amendments to IAS 1 and IAS 8**  
The new definition of the term "material" clarifies that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific entity. There was no impact to the Company's financial statements upon adoption.
- **Definition of Business – Amendments to IFRS 3**  
The amendments to IFRS 3 Business Combinations clarify the minimum requirements to be considered a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also introduce an optional concentration test to permit a simplified assessment. There was no impact to the Company's financial statements upon adoption.



# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Revised Conceptual Framework – Amendments to Conceptual Framework for Financial Reporting**  
The new conceptual framework contains revised definitions of an asset and a liability along with new guidance on measurement and derecognition and presentation and disclosure. There was no impact to the Company's financial statements upon adoption.
  - **Interest Rate Benchmark Reform (IBOR) – Amendments to IFRS 9, IAS 39 and IFRS 7**  
The amendment provides targeted relief to Companies by modifying hedge accounting requirements such that Companies are able to change the benchmark interest rates without causing changes in hedging relationships. There was no material impact to the Company's financial statements upon adoption.
  - **Amendments to IFRS 16, Leases, COVID-19 Related Rent Concessions**  
Effective for annual periods beginning on or after 1 June 2020 (early adoption permitted)  
As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications, this results in accounting for the concessions as variable lease payments in the period in which they are granted. There was no impact to the Company's financial statements upon adoption.
- (b) **Standards and amendments early adopted by the Company**  
No new or amended standards and interpretations were adopted early by the Company.

### 2.2 Foreign currency translation

#### (a) Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company are presented in pounds sterling (£), which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into the functional currency based on exchange rates prevailing at the end of the year; non-monetary assets and liabilities are translated at the historic exchange rate at the date of the transaction. The resulting exchange gains and losses are borne by a related Group entity.

### 2.3 Tangible assets

#### *Cost*

Tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses which are recognised within Administrative Expenses. Costs include expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

#### *Depreciation*

Depreciation is provided on a straight-line basis to write off the net cost of each item of property or plant and equipment to its residual value over their expected useful life to the Company. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Tangible assets (Continued)

The estimated useful lives of each class of assets are:

Computer equipment	- over 3 to 8 years
Right of use assets	- over 1 to 2 years

In the event of an impairment trigger event, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing net proceeds with carrying amount and are included in the income statement.

Repairs and maintenance (as opposed to improvements and enhancements of existing assets), are charged to the income statement during the period in which they are incurred.

#### 2.4 Business combinations, acquisitions and disposals

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties after the combination are accounted for in the financial statements prospectively ("the predecessor values method") from the date the Company obtains the ownership interest. Upon the acquisition of a business or entity, the assets and liabilities of the combined entities or businesses are recognised at their book values. Under the predecessor values method, the investments in subsidiaries are recognised at cost. The cost at the point of recognition is deemed to be equivalent to net book value if the entities involved in such transaction are under common control. No goodwill or discount on acquisition is recognised. An impairment assessment is carried out annually and recognised if the recoverable amount of the investment is less than the carrying amount and the loss is recognised in the income statement.

For disposals where a business is transferred to a subsidiary within a business combination, the cost is the consideration paid to acquire the investment in the subsidiary, not the consideration received from the subsidiary for the acquisition of the net assets comprising the business. The consideration paid is therefore the carrying value (equivalent to book value) of the assets transferred..

#### 2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (i.e. the higher of an asset's fair value less costs to sell and its value-in-use). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

# American Express Group Services Limited

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## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.6 Financial assets

The Company classifies all its financial assets as financial assets at amortised cost. The Company did not hold any financial assets classified at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI) during the reporting period.

The classification is determined on the basis of both: (1) the Company's business model for managing the financial assets and (2) the contractual cash flow characteristics of the financial asset. For an asset to be measured at amortised cost, the contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. Interest is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Management determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is generally irrevocable.

#### (a) Financial assets at amortised cost

Financial assets at amortised cost are financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the effect of applying the effective interest rate would be immaterial. Financial assets at amortised cost as disclosed in the balance sheet include the following categories:

#### Debtors

##### (i) Loans to group undertakings

Loans to group undertakings represents unsecured loans extended by the Company to other Group companies. Interest is applied daily and cash settled monthly on any outstanding loan balance until the principal is repaid. Interest is computed on the basis of actual days elapsed and a year of 365 days. Expected credit losses are not material given the nature of lending and the strong credit position of the Group.

##### (ii) Amounts owed by group undertakings

Amounts owed by group undertakings represent amounts recoverable for services within the American Express Group. Expected credit losses are not material given the nature of lending and the strong credit position of the Group.

##### (iii) Other debtors

Other debtors relate to other receivables due to the Company in the normal course of business. Other debtor balances are presented on the balance sheet net of reserves for expected credit losses.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Impairment of financial assets

The Company assesses financial assets for credit losses at each balance sheet date, and measures loss allowance for expected credit losses. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The Company will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

##### (a) *Loans to and amounts due from group undertakings*

Loans to and amounts due from group undertakings represent amounts due from other Group companies and as such are not subject to any material impairment losses given the nature of the lending and the strong credit position of the Group.

##### (b) *Other debtors*

Given the short-term nature of other debtors the loss allowance is determined by the lifetime expected credit losses. Forward looking information that indicates the debtor will experience financial difficulties, enter bankruptcy or financial reorganisation, default or become delinquent is incorporated in the determination of the loss allowance.

#### 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. A transferred asset and the associated liability are not offset where a transfer of a financial asset does not qualify for derecognition.

#### 2.9 Derecognition of financial instruments, including receivables

Financial instruments are derecognised when the rights to receive cash flows have expired or a transfer of the financial instruments has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Transfers of financial assets that do not meet derecognition criteria are accounted for as secured borrowings in the balance sheet. Financial liabilities are derecognised when they are extinguished.

#### 2.10 Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 90 days or less. Bank overdrafts are shown as bank loans and overdrafts within creditors falling due within one year on the balance sheet.

All cash and bank balances and money market instruments are carried at the principal amount. Interest is recognised using the effective interest method.

#### 2.11 Financial liabilities

The Company only holds financial liabilities classified as other financial liabilities which are measured at amortised cost. Management determines the classification of financial liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities are initially measured at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised in the income statement on an effective yield basis. Financial liabilities are classified as trade creditors, other creditors and accruals in the balance sheet.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.12 Current and deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax charges and credits are recognised in the income statement, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

#### 2.13 Employee benefits

##### (a) Wages and salaries, annual leave and sick leave, bonuses and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date as a result of restructuring or whenever an employee accepts voluntary redundancy in exchange for termination benefits. The Company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after balance sheet dates are discounted to present value.

##### (c) Pension obligations

American Express Company provides pension arrangements for employees through defined benefit plans and defined contribution schemes in the UK.

The participating employers of the UK plan share associated risks of the plan under common control, with no stated policy of sharing net defined benefit cost or for determining the contributions to be paid by each sponsoring employer. None of the participating legal entities have been assessed as sponsoring employers of

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 Employee benefits (Continued)

these plans. As a result, the American Express UK legal entities account for the plans as if they were a defined contribution arrangement, with additional disclosure notes compliant with IAS 19. Contributions are charged to the income statement in the period in which they are paid. Payments to the Company's defined contribution stakeholder pension schemes are recognised as an expense as they fall due.

#### (d) Share based compensation plans

The Company engages in equity-settled share-based awards in respect of services received from certain employees. For equity-settled awards, the fair value of services received is measured by reference to the fair value of the stock awards or share options granted on the date of grant. The cost of employee services received in respect of the stock awards or share options granted is recognised in the income statement over the vesting period. The vesting period is the shorter of the vesting schedule as defined in each award agreement or the date an individual will become eligible to retire. Retirement eligibility is dependent upon age and/or years of service.

The fair value of options granted is determined using the Black-Scholes-Merton option-pricing model. Restricted Stock awards that do not include the Relative Total Shareholder Return (R-TSR) modifier are valued using American Express Company's stock price on the date of grant and the performance-based Restricted Stock Awards that include the R-TSR modifier are valued using a Monte Carlo valuation model. The R-TSR modifier is a specific performance condition that defines total shareholder return as the stock price appreciation over the performance period in comparison to American Express' peers and is a determining factor in the final shares issued to an employee.

As options and awards on American Express Company shares are granted by the ultimate parent company to the employees of the Company, those awards are accounted for in equity. The Company has an obligation to repay the ultimate parent company for the share-based payments, and that repayment is offset against equity to the extent that it has been paid or is payable to the ultimate parent company.

Portfolio Grants are primarily cash-settled but are treated as equity-settled at the Company level, because the Company does not have an obligation to settle the award. An expense is recognised in the Company's income statement over the vesting period; and a credit is recognised in equity. These awards earn value based on the parent company's financial performance, market and service conditions, and vest over a period of three years.

#### 2.14 Provisions and contingent liabilities

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised on future operating losses. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provisions are measured at the present value of the expected required expenditures to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are disclosed where there is a present obligation that arises from past events but are not recognised because the amount of the obligation cannot be measured reliably, or where there is a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

#### 2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# American Express Group Services Limited

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## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.16 Revenue recognition

Revenue comprises income arising in the course of the Company's ordinary activities, net of value added and other taxes, rebates and discounts. The Company recognises revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring services to a customer.

Turnover comprises income from services provided to other American Express Group companies. The Company charges the related entity on an arm's length basis, with revenue being recognised in the period in which the service is provided. The Company determines these revenues using either traditional transaction methods or transactional profit methods.

#### 2.17 Interest receivable and interest payable

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Interest expense includes interest incurred primarily to fund general purposes and liquidity needs and is recognised as incurred.

#### 2.18 Leases

The Company primarily maintains operating leases for its office real estate facilities, under cancellable lease agreements.

The Company recognises right-of-use assets and lease liabilities for operating leases with terms greater than twelve months. The Company's policy is not to separate lease and non-lease components when measuring the real estate right-of-use assets and lease liabilities.

Lease liabilities are recognised at lease commencement date and measured at the present value of the remaining contractual fixed lease payments, discounted using the Company's incremental borrowing rate. Right-of-use assets are recognised and measured at the respective lease liabilities, adjusted by prepaid lease payments, initial direct costs, and offset by lease incentives received. Right-of-use assets are depreciated over the shorter of the useful life and the lease term. Variable lease payments are excluded from the right-of-use assets and lease liabilities and are recognised in the period in which the obligation for those payments is incurred.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for real estate leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 2.19 Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies.

##### (a) Critical accounting estimates

There are a number of estimates made in the preparation of the financial statements. However, these are not considered critical accounting estimates based on the IAS 1 definition.

## American Express Group Services Limited

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### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 2.19 Critical accounting estimates and assumptions (Continued)

###### (b) Critical judgments in applying accounting policies

The preparation of the financial statements involves a number of judgments. The items with a higher degree of judgment or complexity are:

###### *Defined benefit pension scheme*

Certain employees participate in defined benefit pension schemes with several participating employers sharing the risks between entities under common control. The plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of the plans. In the judgment of the Directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore, the scheme is accounted for a defined contribution scheme (see Note 17 for further details).



# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 3. TURNOVER

Turnover solely comprises income from services provided to other American Express Group companies of £73.2m (2019: £82.7m).

### 4. STAFF COSTS

	2020 £000	2019 £000
Wages and salaries	22,322	23,595
Other employee benefits	518	515
Social security costs	4,307	6,225
Pension costs	3,507	2,965
Stock compensation expense	2,967	4,888
	<u>33,621</u>	<u>38,188</u>

Included within wages and salaries is an amount of £0.1m (2019: £1.1m) related to restructuring expense.

The monthly average number of staff employed by the Company during the year was as follows:

	2020 No.	2019 No.
Global Network Services	122	95
Network Solutions & Operations	78	91
Accertify	32	—
Other business functions	12	9
Other support groups	27	26
	<u>271</u>	<u>221</u>

### Equity-settled share-based payments

Equity-settled share-based payments under the 2016 Compensation Plan (amended and restated effective May 5, 2020) and previously under the 2007 Incentive Compensation Plan (collectively, the “Plans”) offered by the ultimate parent holding company, American Express Company, may be granted to officers and other key individuals who perform services for the Company. These awards may be in the form of Stock Options Restricted Stock Awards (“RSA’s”), Portfolio Grants (“PG’s”) and other similar awards. Details of the stock plans are set out below:

#### (a) Stock Options

Each stock option has an exercise price equal to the market price of American Express Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 100% on the third anniversary of the grant date.

Stock options outstanding at 31 December 2020 were nil (2019: 64,520 at a weighted average price of USD 96.04). No stock options were exercised during 2020 (2019: 20,000 stock options were exercised at a weighted average price of USD 65.43).

# American Express Group Services Limited

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### For the year ended 31 December 2020

#### 4. STAFF COSTS (Continued)

##### (b) Restricted Stock Awards ("RSA")

An RSA grant is a grant of American Express Company's common stock, which contains either (a) service conditions or (b) both service and performance conditions. Once vested, the employees receive common shares of American Express Company.

RSA's containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSA's containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares depends on the achievement of predetermined metrics. Beginning in 2019, the R-TSR modifier was added to the performance-based RSA's, so that American Express Company's actual shareholder return relative to a competitive peer group is one of the performance conditions that determines the number of shares ultimately granted upon vesting.

The fair value of RSA's that do not include the R-TSR modifier is determined using American Express Company's stock price on the date of grant and the performance-based RSA's that include the R-TSR modifier is determined using a Monte Carlo valuation model. All RSA holders receive non-forfeitable dividends or dividend equivalents. As of 31 December 2020, the total outstanding RSA's are expected to vest over a weighted average period of 1.14 years (2019: 1.44 years).

As at 31 December 2020, out of 40,371 (2019: 131,907) RSA's outstanding, nil (2019: 1,735) were exercisable. During 2020, 20,994 (2019: 42,557) RSA's were exercised with a weighted average grant price of USD 79.92 each (2019: USD 61.08 each).

##### (c) Other Incentive Awards

American Express Company awards certain employees other incentive awards that are generally settled by cash. These awards earn value based on American Express Company's financial performance, market and service conditions, and vest over periods from one to three years.

American Express Company ceased issuing portfolio grants at the beginning of 2019 and there were no portfolio grants issued in 2019 or 2020. However, for the grants that were issued before 2019, the Company has recorded a recovery of £(31,260) (2019: expense of £714,233) and the grants outstanding at the year-end were 110,000 (2019: 2,005,000). The face value of a grant is equal to one US dollar.

The recovery in 2020 was due to adjustments in the expected payout of 2018 PG awards. Specifically, as of December 2019, the payout expectation was 112.1% and ultimately reduced to 85% as of December 2020, causing a true-down in expense exceeding 2020 accruals.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 5. DIRECTORS' REMUNERATION

	2020 £000	2019 £000
Emoluments	311	323
Amounts receivable under long term incentive schemes	95	60
Pension costs	8	5
	<u>414</u>	<u>388</u>

The number of Directors to whom retirement benefits were accruing in respect of qualifying services during the year ended 31 December 2020 were as follows:

	2020 Number	2019 Number
Money purchase schemes	<u>2</u>	<u>3</u>

During the year three (2019: four) Directors exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of Restricted Stock Awards ("RSA's") vesting in the year.

The following remuneration was earned by the highest paid Director:

	2020 £000	2019 £000
Emoluments including amounts receivable under long term incentive schemes	218	186
Pension Costs	8	4
	<u>226</u>	<u>190</u>

In addition, the highest paid Director also exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of RSA's vesting in the year.

One Director who served during the year is employed by and receives their remuneration from another American Express group company; services provided by employees of one American Express group company to another fall under the enterprise-wide Transfer Pricing Policy and are recharged appropriately.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### For the year ended 31 December 2020

#### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Group undertakings	2,010	2,753
Other interest receivable	1	1
	<u>2,011</u>	<u>2,754</u>

#### 7. PROFIT BEFORE TAXATION

	2020 £000	2019 £000
Profit before taxation is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	55	55
Depreciation of tangible assets	1	20
Depreciation of right of use assets	2,745	997
Operating lease rentals	60	33
Loss on disposal of tangible assets	—	6
	<u>—</u>	<u>6</u>

#### 8. TAX ON PROFIT

The main rate of UK corporation tax is 19%. The differences between the taxation reflected in the financial statements and the amounts calculated at the statutory rate of 19% (2019: 19%) are as follows:

	2020 £000	2019 £000
Profit before taxation	<u>27,392</u>	<u>31,154</u>
Tax on profit at standard rate of 19% (2019: 19%)	5,205	5,919
<u>Adjusted for the effects of:</u>		
Non-deductible expenses	(23)	53
Reduction in closing deferred taxes resulting from reduced enacted tax rate	(209)	9
Adjustments in respect of the prior period	(521)	(162)
Temporary differences not previously recognised	863	39
Other	(3)	—
	<u>(3)</u>	<u>—</u>
<b>Total tax on profit</b>	<u>5,312</u>	<u>5,858</u>

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 8. TAX ON PROFIT (Continued)

	2020 £000	2019 £000
<b><u>Current income tax</u></b>		
Current income tax	5,369	6,095
Adjustments in respect of current income tax of prior years	(141)	59
<b>Total current tax</b>	<b>5,228</b>	<b>6,154</b>
<b><u>Deferred tax</u></b>		
Origination and reversal of temporary differences	673	(84)
Prior year adjustments	(380)	(221)
Impact of change in tax rate	(209)	9
<b>Total deferred tax</b>	<b>84</b>	<b>(296)</b>
<b>Income tax expense</b>	<b>5,312</b>	<b>5,858</b>
<b>Taxation on items not (credited) / charged to the income statement</b>	<b>2020 £000</b>	<b>2019 £000</b>
<b><u>Current tax credit</u></b>		
Tax deduction on share options / awards in excess of expense recognised	(201)	(367)
Prior year adjustments	(33)	(99)
<b><u>Deferred tax charge/ (credit):</u></b>		
Tax deduction on share options / awards in excess of expense recognised	357	(109)
Adjustment for prior years	473	—
Impact of change in tax rate	(47)	12
	<b>549</b>	<b>(563)</b>

#### Factors affecting the tax charge for the year:

The Company's profits for this accounting year are taxed at a rate of 19%.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 19%, as required under International Financial Reporting Standards.

The UK Government also announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The maximum impact of the new 25% rate on the deferred tax asset would be an increase of £443,860.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 8. TAX ON PROFIT (Continued)

#### Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon:

	Share Based Payments £000	Fixed Assets £000	Others £000	Total £000
At 1 January 2020	1,415	745	113	2,273
Deferred tax (charge)/credit to income statement for the period	(609)	(69)	5	(673)
Prior period adjustment to income statement	472	—	(92)	380
Prior period adjustment to equity	119	87	3	209
Tax rate change to income statement	(473)	—	—	(473)
Tax rate change to equity	47	—	—	47
Deferred tax credit to equity	(357)	—	—	(357)
<b>At 31 December 2020</b>	<b>614</b>	<b>763</b>	<b>29</b>	<b>1,406</b>
	Share Based Payments £000	Fixed Assets £000	Others £000	Total £000
At 1 January 2019	1,009	842	28	1,879
Deferred tax (charge)/credit to income statement for the period	345	(109)	(151)	85
Prior period adjustment to income statement	—	—	221	221
Tax rate change to income statement	(36)	12	15	(9)
Tax rate change to equity	(12)	—	—	(12)
Deferred tax credit to equity	109	—	—	109
<b>At 31 December 2019</b>	<b>1,415</b>	<b>745</b>	<b>113</b>	<b>2,273</b>

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### For the year ended 31 December 2020

#### 9. TANGIBLE ASSETS

	Computer equipment £000	Right of use assets £000	Total £000
<b>Cost:</b>			
At 1 January 2020	46	4,486	4,532
Transfers to other Group companies	(23)	—	(23)
Additions	4	—	4
Disposals	(3)	—	(3)
<b>At 31 December 2020</b>	<b>24</b>	<b>4,486</b>	<b>4,510</b>
<b>Accumulated depreciation:</b>			
At 1 January 2020	45	997	1,042
Transfers to other Group companies	(19)	—	(19)
Charge for the year	1	2,745	2,746
Disposals	(3)	—	(3)
<b>At 31 December 2020</b>	<b>24</b>	<b>3,742</b>	<b>3,766</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>—</b>	<b>744</b>	<b>744</b>
At 31 December 2019	1	3,489	3,490

#### 10. DEBTORS

Debtors, all of which are due within one year of the balance sheet date, comprise:

	2020 £000	2019 £000
Loans to group undertakings	225,685	209,885
Amounts owed by group undertakings	9,391	11,712
Other debtors	827	676
Prepayments	3	898
	<b>235,906</b>	<b>223,171</b>

Amounts owed by group undertakings are unsecured and repayable on demand.

Loans to group undertakings represents unsecured loans extended by the Company to affiliates, which are repayable on demand. Interest is applied daily and cash settled monthly on any outstanding loan balance until the principal is repaid. Interest is computed on the basis of actual days elapsed and a year of 365 days.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 11. CASH AT BANK AND IN HAND

	2020 £000	2019 £000
Cash at bank and in hand	1,537	606

Certain American Express Group companies in the UK, including the Company, participate in a group banking arrangement with a third party bank ("the Bank"). Under the terms of this arrangement, the Company's cash deposits with the Bank are available to be offset against outstanding overdraft balances of other participating American Express Group companies. The Company's exposure to this arrangement is limited to the non-safeguarded funds held with the Bank which, as at 31 December 2020, amounted to £1,537,242 (2019: £605,726).

### 12. CREDITORS: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	1,635	—
Trade creditors	285	1,201
Other taxation and social security	449	1,074
Corporation Tax	4,549	3,813
Lease liabilities (Note 13)	858	3,067
Other creditors	939	575
Accruals	4,114	7,378
	12,829	17,108

The current portion of trade and other creditors are carried at cost which approximates fair value due to the short-term nature thereof.

Amounts owed to group undertakings are unsecured and repayable on demand.

Included within Creditors are £7.0m (2019: £9.2m) classified as financial liabilities, the maturity of which is no greater than 60 days.



# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 13. LEASE LIABILITIES

Lease liabilities included in Creditors as at 31 December are as follows:

	2020 £000	2019 £000
Current	858	3,067
Non-current	—	858
<b>Total</b>	<b>858</b>	<b>3,925</b>

The total cash outflow for leases in 2020 was £3,097,895 (2019: £582,420).

The following sets out a maturity analysis of the Company's lease liabilities with the present value, as of 31 December 2020:

	2020 £000	2019 £000
No later than 1 year	859	3,098
Later than 1 year and no later than 5 years	—	859
Later than 5 years	—	—
<b>Total</b>	<b>859</b>	<b>3,957</b>
Future finance charges	(1)	(32)
<b>Lease Liabilities</b>	<b>858</b>	<b>3,925</b>

### 14. PROVISIONS FOR LIABILITIES

	Restructuring £000
<b>Cost:</b>	
At 1 January 2020	546
Increase in provision	54
Utilised during the year	(385)
Releases during the year	(161)
<b>At 31 December 2020</b>	<b>54</b>

#### Restructuring

From time to time, the Company initiates restructuring programs to become more efficient and effective, and to support new business strategies. In connection with these programs, the Company typically will incur severance and other exit costs. During 2020 the Company recorded £0.1m (2019: £1.1m) of restructuring charges. Restructuring charges related to severance obligations are included in Administrative Expenses in the Company's income statement.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### For the year ended 31 December 2020

#### 15. CALLED UP SHARE CAPITAL

	2020 Number	2019 Number	2020 £	2019 £
<i>Authorised</i>				
Ordinary shares of £1 each	<u>100,000</u>	100,000	<u>100,000</u>	100,000
	<u>100,000</u>	100,000	<u>100,000</u>	100,000
<i>Issued, called up and fully paid</i>				
Ordinary shares of £1 each	<u>1</u>	1	<u>1</u>	1
	<u>1</u>	1	<u>1</u>	1

#### 16. DIVIDENDS PAID

The Directors do not propose the payment of a dividend (2019: £nil).

#### 17. PENSIONS

American Express provides retirement benefits through a variety of arrangements comprising defined benefit and defined contribution plans; the most material of which is the American Express UK Pension Plan ('the UK Plan').

The UK Plan and the related costs are assessed in accordance with the advice of qualified independent actuaries. The plan identified has several participating employers sharing the risks between entities under common control. The UK Plan does not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for this scheme. None of the participating legal entities have been assessed as being sponsoring employers of this plan. As a result, American Express UK legal entities account for this plan as if they were defined contribution arrangements with additional disclosure notes compliant with the IAS19 requirements for these types of arrangements. The information of this plan as a whole is presented below.

The UK Plan is a defined benefit pension plan with a normal retirement age of 65. The UK Plan was offered to employees who joined the Company before 1 July 2006 and has a weighted average duration of 15 years. The UK Plan was closed to future accrual on 31 July 2013, although the link to future salary increases was retained up to the end of 2016. The benefit payable from the Plan varies depending on whether the member joined before 1996 or after. For those joining before 1996, there is a pension benefit payable from the Plan that increases in line with statutory requirements. For those joining after 1996, there is a lump sum benefit payable at retirement which the employees can use to purchase an annuity or transfer to an approved plan. All employees in the UK are now offered a defined contribution scheme.

The UK Plan operates under trust law and is governed by a Trustee board in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Plan's assets are held by the Trust.

The contributions paid to the UK Plan are agreed with the Trustees on the basis of a valuation carried out every three years by the Scheme Actuary. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the Sponsor, the level of risk in the Plan, the Plan's investment strategy and the Plan's funding level. In compliance with the Pensions Act 2004, the Sponsor and the Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan accordingly.

# American Express Group Services Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

### 17. PENSIONS (Continued)

The IAS19 liability is most sensitive to changes in discount rate, which depends on market yields on Sterling-denominated AA-rated corporate bonds. In addition to the interest rate risk, the value of liability also depends on the assumptions made about future inflation and life expectation and the risks associated with actual experience in these two areas differing over the long term from the assumptions adopted.

#### Key assumptions and valuation results

The key assumptions used to value the UK Plan's liabilities based on IAS19 requirements, together with the results obtained are set out below.

Assumptions	Nominal % pa	
	2020	2019
Discount rate	1.25	1.85
Rate of increase in salaries	n/a	n/a
Social Security increases	n/a	n/a
Rate of pension increase in payment*	0.00 – 2.84	0.00 – 3.01
Rate of increase in price inflation		
RPI**	3.00	3.00
CPI**	2.5	2.25
Mortality table	SAPS S3 mortality table CMI 2019 model with trend of 1.50% per annum	SAPS S3 mortality table CMI 2018 model with trend of 1.50% per annum

\* post 88 GMP = 2.03%; pre 1997 excess = 0%; April 1997 to April 2005 = 2.84%; post April 2005 = 1.90%

\*\* RPI = Retail Price Inflation; CPI = Consumer Price Inflation

The table below shows the value of IAS19 liabilities and assets as at 31 December 2020.

IAS19 Defined Benefit Obligation and Market Value of Assets	2020 (£m)	2019 (£m)
Present value of Plan liabilities	(1,308.7)*	(1,233.0)*
Market value of assets**	1,209.8*	1,126.6*
(Deficit)	(98.9)	(106.4)
Sensitivity analysis - 2020 Defined Benefit Obligation		
Discount rate assumption being 1% higher	1,144.4*	
Discount rate assumption being 1% lower	1,498.2*	

\* Includes £66m of Additional Voluntary Contributions (AVC's) (2019: £69m)

\*\* There are no self-invested assets in the UK Plan

As a result of the 2018 and 2020 UK court rulings requiring the equalisation of Guaranteed Minimum Pensions (GMP) in UK pension schemes including historic transfer values, the 2020 UK Plan liabilities include an allowance for GMP equalisation.

## American Express Group Services Limited

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2020

#### 17. PENSIONS (Continued)

The UK Plan's major asset categories are shown in the table below:

Asset Allocation as at 31 December		
	2020	2019
	£m	£m
Domestic equities	21.4	21.0
Foreign equities	364.9	288.2
Government bonds	272.5	231.0
Corporate bonds	58.8	54.0
Buy-in contract	253.8	245.1
Additional voluntary contributions	65.6	69.1
Cash and cash equivalents	30.8	51.9
Other	142.0	166.3
<b>Total</b>	<b>1,209.8</b>	<b>1,126.6</b>

There was a special event in 2017 for the UK Plan involving a pensioner buy-in transaction to partially insure the UK pensioner liabilities. The value of the buy-in contract is £253.8m and has been included within the allocation above. The assets under the "Other" category represent amounts mainly invested in diversified funds and include investments in hedge funds which make use of different investment styles including the use of derivatives.

All securities invested by the UK Plan have a quoted market price in an active market (with the exception of £277.4m mainly attributable to the pensioner buy-in contract).

The assets and liabilities shown above include defined contribution assets and liabilities (from AVCs) as at 31 December 2020.

#### Contributions

The employer contributions to the UK Plan during the calendar year 2020 and expected for 2021 are summarised in the table below:

	2021 Expected Contributions (£m)	Actual 2020 Contributions (£m)*	Actual 2019 Contributions (£m)*
<b>Contributions</b>	21.4	20.4	20.4

\* In addition during 2020, the employer contributed £36.0m (2019: £32.9m) (including salary sacrifice contributions) to the defined contribution Stakeholder Plan in the UK.

## **American Express Group Services Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **For the year ended 31 December 2020**

#### **18. RELATED PARTY TRANSACTIONS**

The Company had no transactions with Directors or Key Management Personnel during the year ended 31 December 2020 (2019: none) except for the transactions relating to Director emoluments disclosed in Note 5.

#### **19. EVENTS AFTER THE BALANCE SHEET DATE**

With the continued evolution of the COVID-19 pandemic across the globe, management has considered the potential financial effects when preparing the Company's financial statements for the year ended 31st December 2020. As of 12th July 2021, there is no indication of any reportable events impacting the financial position of the Company at the reporting date. Therefore, management has determined there are no associated non-adjusting subsequent events to be disclosed.