

In 2010, small but significant steps were achieved in international efforts to promote a greater commitment to sustainability principles. At the end of the International Year of Biodiversity, the UN General Assembly decided to establish the Intergovernmental Science Platform on Biodiversity and Ecosystem Services (IPBES), which will address scientific questions regarding the economic value of biodiversity in the same way that the IPCC examines matters relating to climate change. The Climate Change Conference in Cancún ended with an agreement being reached on important measures that will lay the foundations for future climate negotiations. In addition, the community of states pledged their support for a World Bank climate fund that will promote the transfer of technologies to developing countries. These are just two examples to show that sustainability issues figure high on the political agenda and will thus also remain of paramount importance for the private sector. These developments confirm that the Vontobel Group is adopting the right approach by taking greater account of sustainability issues in all areas of its business.

Sustainability is enshrined in Vontobel's principles

As an independent Swiss private bank with a strong family shareholder base, the Vontobel Group is committed to sustainable business management. It understands that stability, financial success and responsibility go hand in hand and it applies this knowledge in every area of its work. For generations, the bank has been committed to operating in an ethical and far-sighted manner.

Vontobel Group's sustainability guidelines

Principle

1. Vontobel is committed to the principle of sustainable development.

Clients

2. When advising our clients, we focus on their long-term satisfaction.
3. We are responding to a growing demand among clients by offering innovative investment services that take account of the opportunities and risks related to sustainability.

Shareholders and external stakeholders

4. As an organization with a long-term focus, we generate sustained increases in the value of our company for our shareholders through measures that include the consideration of environmental and social issues.
5. Together with our charitable foundations and through the personal commitment of each individual, Vontobel strives to create social and cultural added value.
6. We engage in an active dialogue with the public about sustainability issues.

Employees

7. We are an attractive and fair employer.
8. We make our employees aware of the opportunities and risks relating to sustainability on a continuous basis.

Environment

9. We reduce the environmental impacts of our business activities as far as possible, thus also making a contribution towards climate protection.

Implementation

10. We set specific sustainability targets and ensure that we have appropriate management structures and processes in place to facilitate the continuous improvement of our performance.

Vontobel Group's revised Business Code sets out the principles and practices that the Board of Directors expects employees to observe in their daily work. It reaffirms the basic values that enable Vontobel to act as a reliable partner to its clients, shareholders, employees, business partners, the authorities and the general public. In its Business Code, Vontobel pledges to operate ethically, responsibly and with integrity when dealing with its stakeholders.

Since the Vontobel Group purchases a large number of products and services from external partners – ranging from cleaning services and IT equipment to the design and production of printed materials – it is important for its sustainability principles to also be considered at this level. In 2010, the Sustainability Committee therefore approved sustainable purchasing guidelines that will be defined in detail for specific areas and product groups. The guidelines will prescribe the environmental and social standards that Vontobel expects its business partners to observe.

Sustainable added value for clients

As a wealth and asset manager, Vontobel believes that the consideration of sustainability aspects in the field of investing is an essential part of a comprehensive sustainability strategy. The signing of the Principles for Responsible Investment (PRI) by Vontobel at the start of 2010 represents an important milestone in this context. These Principles, which were issued by the United Nations Environment Programme (UNEP) Finance Initiative and the UN Global Compact, set out a range of possible actions to facilitate the increased incorporation of environmental, social and governance issues in the areas of wealth and asset management. By becoming a signatory to the Principles for Responsible Investment, the Vontobel Group has demonstrated its commitment not only to offering special sustainability products but also to taking greater account of sustainability aspects in all areas of investing.

The first step was taken in Asset Management with the adjustment of the investment process for global equity funds that are managed by Vontobel in Zurich. Sustainability criteria are now systematically incorporated into the financial analysis and thus form an important part of the assessment of the opportunities and risks relating to companies. In addition, financial analysts and sustainability analysts work together to define minimum sustainability criteria for each sector. During this process, the financial analysts can draw on various sources of external data, thus providing clear added value in their analyses.

Vontobel's offering of innovative sustainable investment products enables clients to invest in future-oriented themes and to thus achieve a financial return while contributing towards sustainable development. The main focus of the offering is on products in the Global Change Investing line that address diverse aspects of global change via different approaches.

The Global Responsibility funds invest in companies across all sectors and apply a range of sustainability criteria during the selection process. In addition to the four existing regional funds, Global Responsibility International Equity – a global portfolio that takes account of sustainability criteria – was launched in 2010. The Global

Responsibility funds reported a total volume of CHF 276 mn of assets under management at the end of 2010. The following table provides an overview of the performance of the different funds. All Global Responsibility funds bear the Eurosif transparency logo, which guarantees that investors are fully informed about the investment process as well as the fund criteria (Global Responsibility International Equity will be included in the next round). In addition, Vontobel manages sustainability funds with a volume of CHF 2,011 mn of assets on behalf of cooperation partners such as Raiffeisen. Through its participation in responsAbility, an organization specializing in social investments and microfinance investing, Vontobel also supports the provision of microfinance funds and other innovative financial products.

Sustainable investment funds managed by Vontobel

	Fund class	Performance 2010
Vontobel Global Responsibility Asia (ex Japan) Equity	Equity fund	18.9%
Vontobel Global Responsibility International Equity	Equity fund	15.0%
Vontobel Global Responsibility US Equity	Equity fund	11.1%
Vontobel Global Responsibility European Equity	Equity fund	9.2%
Vontobel Global Responsibility Swiss Equity	Equity fund	5.7%
Raiffeisen Futura Swiss Stock	Equity fund	7.2%
Raiffeisen Futura Global Stock	Equity fund	(6.9%)
Raiffeisen Futura Global Bond	Bond fund	3.5%
Raiffeisen Futura Swiss Franc Bond	Bond fund	2.5%
Raiffeisen Multi Asset Class Futura	Investment target fund	(1.3%)
Raiffeisen Pension Invest Futura 50	Investment target fund	1.2%
Raiffeisen Pension Invest Futura 30	Investment target fund	0.4%
Harcourt Belair (Lux) Sustainable Alternatives SRI	Fund of hedge funds	0.2%

In addition to the sustainability funds, a range of theme funds from the Global Trend family are available that focus on various key trends such as the restructuring of the energy system, the more efficient use of resources and the supply of clean technologies. At the end of 2010, the three Vontobel funds Global Trend New Power, Global Trend Future Resources and Global Trend Clean Technology reported total assets under management of CHF 527 mn.

Theme funds managed by Vontobel

	Fund class	Performance 2010
Vontobel Global Trend Future Resources	Equity fund	29.9%
Vontobel Global Trend Clean Technology	Equity fund	14.6%
Vontobel Global Trend New Power	Equity fund	6.2%

Vontobel offers private clients a type of asset management portfolio that takes account of sustainability criteria and is diversified broadly across various asset classes. Three different investment strategies are available. Unlike other forms of portfolio management, all of the investments undergo a clearly defined sustainability review. This gives investors the opportunity to participate in the success of sustainable companies and to combine their personal values with their investment activities.

Once each quarter, the new magazine “blue” provides private clients with compelling insights into topics that go beyond the world of investing. What does security mean? What is our relationship with time? How are our lives affected by constant change? The publication explores these and other questions from different perspectives in a series of specialist articles and interviews with experts. Lateral thinkers are also invited to express their opinions, thus presenting the topic from a new angle and encouraging readers to challenge established views.

In October 2010, clients from Switzerland, Germany and Austria were invited to participate in a survey about the advisory and service quality offered by Vontobel Private Banking. Over 90% of the participating private banking clients indicated that they were generally satisfied – with around 70% stating that they were either very or extremely satisfied. The survey also revealed that Bank Vontobel’s image is rated very positive by its clients. The valuable client input from the survey will be used as a basis to achieve ongoing improvements in service and advice.

Investment Banking offers a variety of structured products that focus on sustainability themes. In 2010, for example, Vontobel launched its Renewable Energies II basket that enables investors to participate in 10 different wind and solar energy stocks.

Sustainable investments	2010	2009	2008
Volume of sustainable investments (CHF mns)	4,066	3,176	1,928
Share of sustainable investments (in % of AuM) ¹	4.8%	3.6%	3.1%

¹ Excluding volume of structured products

The volume of sustainable investments managed by the Vontobel Group rose by 28% compared to the previous year. Measured as a proportion of total assets under management, this corresponded to an increase of 1.2 percentage points, underlining the growing importance of sustainable investing for both private and institutional clients.

Clients who wish to use part of their wealth to promote worthwhile causes can lend their support to projects that focus on social issues, culture, ecology, education and medicine through Bank Vontobel’s charitable foundation. In 2010, the foundation made a significant donation to the non-profit organization “Die Sozialfirma AG” to help establish a new branch – “Baum und Grün” – which employs teams of people with and without disabilities who perform gardening work for standard rates of pay. The organization is designed to help people with disabilities to find employment. The research project “Biodiversity in the Landscape” run by the Research Institute of Organic Agriculture in Frick is committed to promoting the use of mixed cultivation and to thus reducing the use of pesticides in order to promote biodiversity. The foundation has provided a substantial donation to support the project throughout the period from its launch 2008 through to its completion in 2011.

Diverse benefits for our stakeholders

The following key figures illustrate how the Vontobel Group's business activities generate added value for its shareholders and the general public.

External stakeholders	2010	2009	2008
Added value (CHF mns) ¹	572.0	551.2	504.3
Tax liability (CHF mns) ²	30.2	16.5	27.5
Dividends paid (CHF mns)	90.2	77.4	128.5

1 Operating income less depreciation of fixed assets and intangible assets

2 Includes profit tax, capital gains tax and other taxes and contributions

Value creation has increased compared to the previous year. The growth in profit has led to a marked increase in both tax contributions and dividends.

The Vontobel Group is involved in various organizations that promote a more sustainable approach to business within the finance industry. For example, it is a member of The Sustainability Forum Zurich (TSF), an international network that aims to increase the importance assigned to sustainability principles within the financial markets by cultivating a forward-looking dialogue between key players in the industry. Zeno Staub, Head of Vontobel Asset Management, has been the President of TSF since the start of 2010. In the year under review, the annual Sustainability Leadership Symposium organized by TSF was dedicated to the topic "Financing the transition to a low carbon economy".

In 2010, a local branch of the Forum for Sustainable Investments was established in Switzerland. Vontobel has assumed the role of Chairman of the Swiss organization, thus helping to shape its activities and to educate investors and the general public about sustainable investing. In March 2010, the Forum for Sustainable Investments Switzerland presented a Swiss market study about the renewed increase in the volume of sustainable investments and organized various events on current topics relating to this field.

As a founding member of the Climate Foundation Switzerland, Vontobel once again lent its support to several climate protection projects conducted by Swiss small and medium-sized enterprises (SMEs) in 2010. With the support of the Climate Foundation, a mill in Dambach installed a new heating system that converts its own biomass waste into process steam, thus saving gas equivalent to over 3,000 megawatt-hours each year and reducing the mill's volume of CO₂ emissions by 650 metric tons. Other projects that have received support include the construction of a new production plant equipped with a heating pump and waste heat recovery system, as well as the installation of an energy screen in the greenhouse of a garden centre to reduce the extent to which the structure cools down at night.

Charitable donations	2010	2009	2008
Donations and gifts (CHF mns)	0.8	0.1	0.4
Dividends to charitable foundations (CHF mns)	13.7	11.8	19.6
Dividends to charitable foundations, contributions and donations (in % of profit)	9.8%	8.6%	17.7%

It is not only financial contributions that are beneficial: knowledge is also a valuable asset. A number of Vontobel employees share their financial expertise with others by giving talks and presentations at training events held internally or by external organizations. The Vontobel Group believes it has a duty to make its financial know-how available to employees as well as to broader sections of society in order to create greater public understanding of complex financial market issues and to raise awareness of their importance for the Swiss economy.

Focus on employees

Vontobel assigns considerable importance to the provision of attractive working conditions for its employees. This includes promoting a healthy work/life balance. For example, the conditions for maternity leave and paternity leave that it grants to working parents exceed the statutory minimum. After completing six years of service, female employees benefit from six months of maternity leave on full pay, while members of staff who have been with the company for a shorter period of time are entitled to four months of maternity leave. Fathers are granted five days of paternity leave. Vontobel has, for many years, been a member of Childcare Service, an organization that advises parents on childcare issues and runs a group of nurseries. In July 2010, Vontobel also became a member of the kcc group (kid's care concept), thus providing its employees with a further childcare option. The kcc group offers families holistic care solutions for children. Wherever possible from an operational perspective, Vontobel endeavours to meet requests for part-time working arrangements from employees, including members of middle management. The following table shows how many Vontobel employees work on a part-time basis:

Proportion of males/females in part-time positions in 2010

	Number of women	Proportion of women	Number of men	Proportion of men	Total number	Proportion of total
20 – 49%	21	4%	5	1%	26	2%
50 – 79%	70	14%	27	3%	97	7%
80 – 99%	68	14%	28	3%	96	7%
100%	336	68%	863	93%	1,199	84%
Total	495	100%	923	100%	1,418	100%

The proportion of female employees at Vontobel who work on a part-time basis increased by two percentage points to a total of 32% compared to the previous year. This demonstrates Vontobel's willingness to offer solutions that help employees to combine their professional and family commitments.

Actively promoting health and wellbeing in the workplace is an important aspect of Vontobel's focus on employees. For example, the company regularly offers free influenza immunizations to members of staff. Employees can enjoy a healthy meal each day in the staff restaurant at Vontobel's head office. The restaurant is operated by SV-Service, which pursues a comprehensive sustainability strategy as well. In addition, fresh fruit is offered to employees in the workplace on a daily basis.

Employee diversity in terms of gender, age and nationality is a key factor determining a company's success. A high level of attention was assigned to this issue when developing internal training programs for the current year, including a new seminar on the topic of diversity. The following table illustrates the proportion of men and women at different levels of management, as well as the various nationalities represented within the company.

Proportion of males/females at different levels of management in 2010

	Number of women	Proportion of women	Number of men	Proportion of men
Employee	187	55%	152	45%
Middle management	222	47%	255	53%
Senior management	86	14%	510	86%
Group Executive Management	0	0%	6	100%
Total	495	35%	923	65%
Board of Directors	1	12%	7	88%

Nationalities of employees

	Number	31-12-10 in %	Number	31-12-09 in %
Switzerland	995	70	1,003	70
Germany	152	11	154	11
Austria	57	4	59	4
Italy	58	4	59	4
USA	49	3	39	3
Spain	16	1	17	1
France	13	1	17	1
United Kingdom	22	2	16	1
Other	56	4	63	5
Total	1,418	100	1,427	100

Seniority structure

	Number	31-12-10 in %	Number	31-12-09 in %
Up to 1 year	215	15	135	10
1 to 5 years	588	41	661	46
5 to 10 years	309	22	342	24
10 to 20 years	207	15	184	13
20 to 30 years	84	6	90	6
More than 30 years	15	1	15	1
Total	1,418	100	1,427	100

Age structure	31-12-10		31-12-09	
	Number	in %	Number	in %
Up to 20 years old	22	2	24	2
20 to 30 years old	165	12	164	11
30 to 40 years old	485	34	476	33
40 to 50 years old	470	33	485	34
50 to 60 years old	228	16	227	16
More than 60 years old	48	3	51	4
Total	1,418	100	1,427	100

Continuous training and development enables employees to remain abreast of the constant changes in the company's operating environment. Vontobel therefore offers them both internal training programs and the opportunity to attend external courses. A range of attractive apprenticeships enable young people to embark on a career in this fascinating industry. At the same time, Vontobel benefits from the fact that it thus gains access to a pool of well-qualified young people whom it can subsequently offer a permanent position within the bank. The rate of staff turnover depends on various factors; when viewed over time, it indicates that employees are essentially satisfied with their work at Vontobel.

Turnover and training	2010	2009	2008
Fluctuation rate (in %)	9.3 ¹	8.6 ²	10.2
Training costs (CHF 1,000)	2,167	1,777	2,154
Training costs (CHF/FTE)	1,528	1,306	1,656
Number of trainees	21	22	19

1 Excluding staff changes resulting from the acquisition of Commerzbank (Schweiz) AG

2 Excluding staff changes resulting from a cost-cutting exercise

In 2010, training expenditure returned to 2008 levels after being reduced in 2009 in line with the performance of the business. The majority of apprentices who completed their training were replaced by new apprentices.

Changes in employee behaviour also enable Vontobel to significantly increase its contribution towards building a stable society and preserving an intact environment. Vontobel therefore conducts various initiatives to raise employee awareness of social and environmental issues.

- During the "Energy Weeks" event, Vontobel organized a wide variety of initiatives and supplied information to educate employees about simple ways in which energy savings can be realized on a daily basis, thus helping to protect the climate. These activities focused on electricity consumption, mobility and nutrition. The event attracted a high level of interest and inspired lively discussions on this topic.
- In summer 2010, Vontobel participated in the "Bike to Work" campaign for the second time. This initiative encourages employees to cycle to work instead of taking the car or public transport. Numerous teams of Vontobel employees registered to take part in the campaign once again.

Long-term compensation concept

The compensation concept introduced by Vontobel in 2005 provides employees with an incentive to focus on long-term performance and to help drive the sustained success of the company. The concept largely satisfies the demands for sustainable, integrated compensation systems that are being widely debated. Further information on this topic can be found in the chapter “Information relating to corporate governance” in the section “Compensation, shareholdings and loans” as well as in the Notes to the consolidated financial statements, note 29. The compensation system places a strong emphasis on the long-term performance of the Vontobel Group and defers the payment of part of the variable compensation awarded to participating employees. In this way, Vontobel encourages and rewards responsible and risk-conscious conduct that is in the best interests of the company.

Responsibility for the environment

As part of its climate strategy, Vontobel implemented various measures in the course of 2010 to gradually reduce the volume of CO₂ emissions resulting from its banking operations. As well as switching to renewable sources of electricity to power its external computing centre, Vontobel conducted a comprehensive energy audit of the largest office at its headquarters in Zurich, which offers workplaces for around 365 employees. Experts examined the heating, ventilation and lighting systems and certified that they are in generally good condition and are being carefully maintained. It was nevertheless possible to achieve a 14% reduction in energy consumption – and consequently in energy costs – simply through the use of optimization measures. The costs of the energy audit were recovered in less than one year, meaning that this measure proved beneficial not only from an environmental but also from a financial perspective.

The “Energy Weeks” conducted in June 2010 – which are described in the section “Focus on employees” – enabled Vontobel to generate savings of around 10,000 kg of CO₂ through the provision of climate-friendly meals in the staff restaurant as well as a reduction in elevator usage. This is equivalent to the amount of carbon that would be captured by planting 937 spruce trees, meaning that the Vontobel Group’s efforts during the “Energy Weeks” can be compared to planting a forest of almost 1,000 trees.

The entire Vontobel Group has been carbon neutral since 1 January 2009. In conjunction with the established partner First Climate, Vontobel purchased emissions reduction certificates that are equivalent to its annual global CO₂ output, thus fully offsetting its greenhouse gas emissions. The purchase of these certificates enables renewable energy projects to be implemented in developing countries and the emerging markets that would not otherwise be possible.

Each year, Vontobel gathers key data regarding the environmental impacts of its banking activities. The most recent figures are published in a separate document that can be downloaded from the Internet.

Implementation

Vontobel's Sustainability Committee, which is chaired by the CEO, ensures that its sustainability guidelines are implemented in practice and that Vontobel achieves ongoing improvements in these various areas. The Sustainability Committee consists of representatives of the three business units Private Banking, Investment Banking and Asset Management, as well as various Group functions.

Vontobel's efforts to take greater account of sustainability across all areas of its business are part of an ongoing commitment in this area. It will therefore strive to achieve continuous improvements in the many fields of sustainable business management.

Information about Vontobel's progress in this area of sustainability is continuously updated on the Internet: www.vontobel.com/sustainability