

# Annual General Meeting 2020

Information concerning voting on item 7  
(Consultative vote on the Compensation Report and  
votes on the aggregate amounts of compensation  
of the Board of Directors and of the Executive Board)

## Introduction

In accordance with Art. 18 of the Ordinance against Excessive Compensation with regard to Listed Stock Corporations (OaEC), the General Meeting of Shareholders of Vontobel Holding AG votes separately each year on the aggregate amount of compensation of the Board of Directors and of the Executive Board. Voting by the General Meeting of Shareholders is binding.

The Board of Directors of Vontobel Holding AG will therefore propose to the General Meeting of Shareholders of March 30, 2020, under item 7 of the invitation to this General Meeting, that the Compensation Report 2019 be approved in a consultative vote and that the aggregate amounts of compensation of the Board of Directors and of the Executive Board be approved.

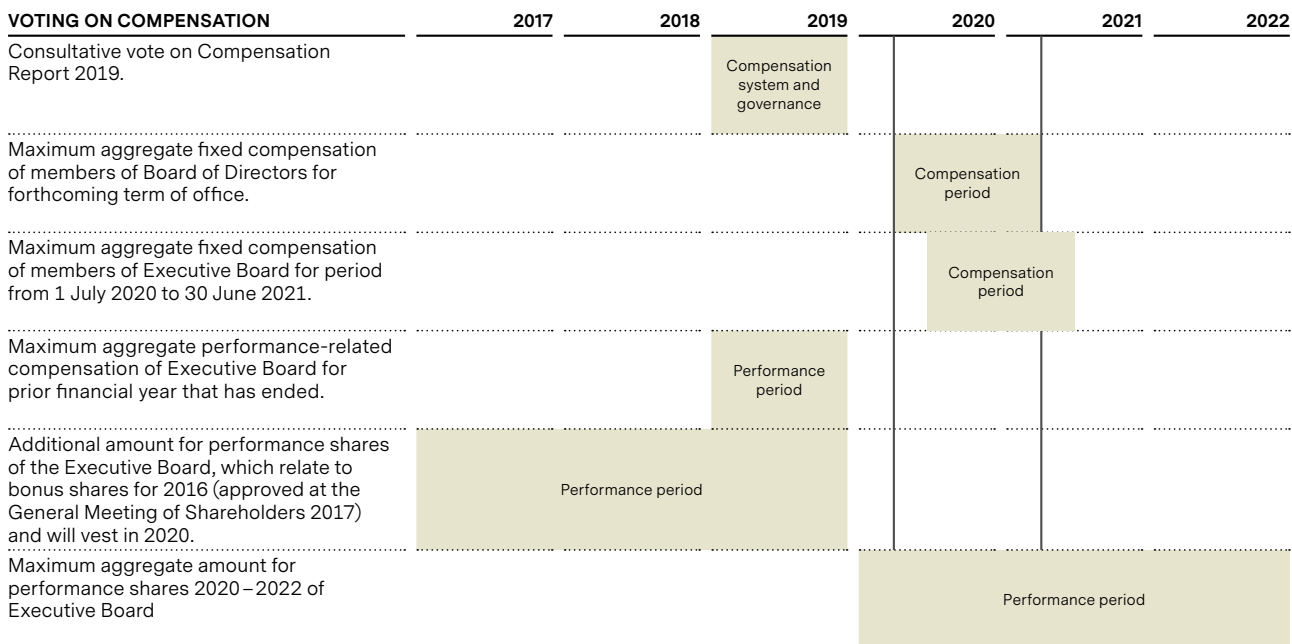
It should be noted that voting is carried out partly on a prospective basis and partly on a retrospective basis. Voting on the compensation of the Board of Directors and on the base salary of the Executive Board is carried out on a prospective basis. In the case of the short-term bonus (cash and blocked bonus shares), voting is carried out at the end of the one-year performance period, i.e. retrospectively. The number of bonus shares also determines the potential of the long-term bonus (Long-Term Incentive Program, LTI). Consequently, the budget for performance shares (maximum aggregate amount for performance shares for the next three years) is voted

on prospectively. If the amount at the end of the performance period is higher than the original budgeted amount, a further vote is held to obtain approval for the difference. However, this is only the case if the business performed well during the last three years – only then relevant factors (average return on equity and average capital ratio) as well as the share price at the end of the period can exceed the original assumptions made at the time of budgeting.

The following votes will therefore be held at the General Meeting of Shareholders 2020:

1. Compensation Report (consultative): Retrospectively for the year 2019
2. Fixed compensation of the Board of Directors: Prospectively for the period from the General Meeting of Shareholders 2020 to the General Meeting of Shareholders 2021
3. Fixed compensation of the Executive Board: Prospectively for the period from July 1, 2020, to June 30, 2021
4. Short-term bonus of the Executive Board: Retrospectively for the year 2019 (comprising 50% cash and 50% bonus shares)
5. Budget for performance shares of the Executive Board (LTI): Prospectively for the period 2020 – 2023
6. Additional amount for performance shares 2017 – 2019 of the Executive Board: Difference compared to the budget approved by the General Meeting of Shareholders 2017 (retrospectively).

The following chart provides an overview of the votes:



— General Meeting

Detailed information can be found in the Compensation Report 2019 of Vontobel Holding AG at [www.vontobel.com/compensation-report](http://www.vontobel.com/compensation-report)

**2019 results: Key figures**

Vontobel generated a net profit of CHF 265.1 million in 2019, exceeding the previous year's result by 14%.

This good performance is also reflected by the return on equity of 14.2%, which exceeded our mid-term target. At CHF 226.1 billion, advised client assets at the end of 2019 were significantly higher than in the previous year (CHF 192.6 billion). This was driven by the good performance of our products and the generation of CHF 11.7 billion of net new money, which corresponds to growth of 6.9% and is above our target range of 4–6%. This successful financial year underscores our ability to achieve growth, even in a still challenging operating environment.

The Board of Directors of Vontobel Holding AG is proposing a dividend of CHF 2.25 per dividend-entitled share to the General Meeting of Shareholders of March 30, 2020. This corresponds to a payout ratio of 50% of net profit, far exceeding the industry average

**7.1 Consultative vote on the Compensation Report (item 7.1)**

The Board of Directors of Vontobel Holding AG proposes in item 7.1 that the Compensation Report 2019 be approved by shareholders in a consultative vote.

Vontobel's compensation policy is aligned with our corporate essence and its core values. Our compensation system supports employees who take responsibility and display entrepreneurship and foresight while placing clients at the center of all that they do. The consistent and predictable nature of the compensation system over time is extremely valuable and has proved to be in the interests of all Vontobel stakeholders.

The compensation system also encourages all employees to take part in our share participation plan and thus promotes an entrepreneurial, prudent and long-term mindset and approach among all employees and management. On average, members of the Executive Board held more than 9.5 times their base salary in Vontobel shares at the end of 2019.

Furthermore, both our compensation system and individual compensation payments are consistently aligned with the "Pay for Performance" principle.

Importantly, our compensation system also helps us to attract, develop and retain those talented professionals who are best suited to Vontobel and fit well with our culture. In this context, we place an emphasis on attracting talented individuals who believe they can achieve success at and with Vontobel and are therefore willing to assume entrepreneurial risk and to join the company on a base salary that is sometimes lower than the market rate. When success is achieved and good performance is delivered over the long term, our compensation together with the share participation plan develop in line with, or slightly exceed, the market rate. It is in Vontobel's interests to not only attract but also retain top performers.

In our Compensation Report, we are committed to sharing information clearly, transparently and in the simplest way possible. The Compensation Report 2019 explains in detail how Vontobel's strategy and culture are reflected in our compensation policy.

These five compensation principles apply in particular in this context:

1. Pay for performance
2. Drive culture
3. Aligned and long-term oriented
4. Competitive
5. Compliant

The Compensation Report also explains in detail, and with the highest possible level of transparency, the Executive Board's objectives and the extent to which they are achieved.

As part of our commitment to transparency, we also provide answers to frequently asked questions in a separate chapter of the Compensation Report.

## Compensation of the Board of Directors

### 7.2 Maximum aggregate amount of the fixed compensation of the members of the Board of Directors for the forthcoming term of office

The members of the Board of Directors only receive fixed compensation, which is not dependent on the financial results of Vontobel Holding AG.

In item 7.2 the Board of Directors proposes the approval of a maximum aggregate amount of the fixed compensation of the members of the Board of Directors of CHF 4,850,000 for the forthcoming term of office, i.e. from the General Meeting of Shareholders 2020 to the General Meeting of Shareholders 2021.

The proposal to the General Meeting of Shareholders of March 30, 2020, does not entail an increase in the fixed compensation of the individual members of the Board of Directors.

This proposal also includes the fee paid to the Chairman, who presides over the Board of Directors as a whole and represents it internally and externally. Vontobel has an experienced full-time Chairman who performs a central function within the Board of Directors and has a

key role in shaping Vontobel's strategy, communications and culture. In 2015, his compensation was set at CHF 2.5 million, which – based on a multi-year average – is approximately in line with the level of compensation of a member of the Executive Board.

The amount of fixed compensation paid to the eight other members of the Board of Directors varies, depending on their volume of work and whether they are a member of, or chair, any committees.

The fixed aggregate compensation of the members of the Board of Directors, including the Chairman of the Board of Directors, proposed to the General Meeting of Shareholders for the forthcoming term in office includes a reserve for these other compensation components:

Employer contributions to the pension fund and supplementary fund, as well as daily fees and meeting attendance allowances. The amount that is the subject of this vote does not include employer social security contributions (AHV, ALV, IV) or additional advisory fees that are unrelated to the function as a member of the Board of Directors and are disclosed separately in the Annual Report.

The fixed compensation consists of the following components:

#### COMPENSATION COMPONENTS

<b>Fixed fee</b>	50% paid in cash	The fixed fee for the mandate as a member of the Board of Directors of Vontobel Holding AG is paid half in cash and half in shares.
	50% paid in shares	The allocation of shares that are blocked for a period of three years serves as a longterm incentive, resulting in an alignment with shareholder interests. Members of the Board of Directors thus participate in the long-term success of the company and the long-term performance of the Vontobel share.  Shares are allocated at an accepted value of 80 % of the average price in the month of December of the year prior to the year in which the payment is paid out. These shares may not be sold, pledged or transferred during the blocking period.
<b>Further fees</b>	100% paid in cash	The fee for the mandate as a member of the Board of Directors of Bank Vontobel AG, which is controlled by Vontobel Holding AG, and the daily fees / meeting attendance allowance as well as expenses are paid 100 % in cash.
<b>Pension payments</b> (only for the Chairman of the Board of Directors)		The Chairman of the Board of Directors has an ordinary employment relationship in Switzerland. He therefore receives statutory pension fund benefits like all other employees. The other members of the Board of Directors do not receive pension fund benefits.

## Compensation of the Executive Board

The principle of “pay for performance” applies at Vontobel. The compensation system was structured in such a way as to ensure that the level of compensation paid to the members of the Executive Board tends to be below the industry average in the first few years after they join the company but can increase as a result of the share participation plan if a good performance is achieved over more than three years. Consequently, the members of the Executive Board tend to have a relatively low base salary but receive higher variable compensation – provided Vontobel and the division they oversee perform well.

In the allocation of variable compensation, quantitative and qualitative objectives are assigned an equal weighting when measuring and evaluating performance. In this context, the Nomination and Compensation Committee takes account of criteria including:

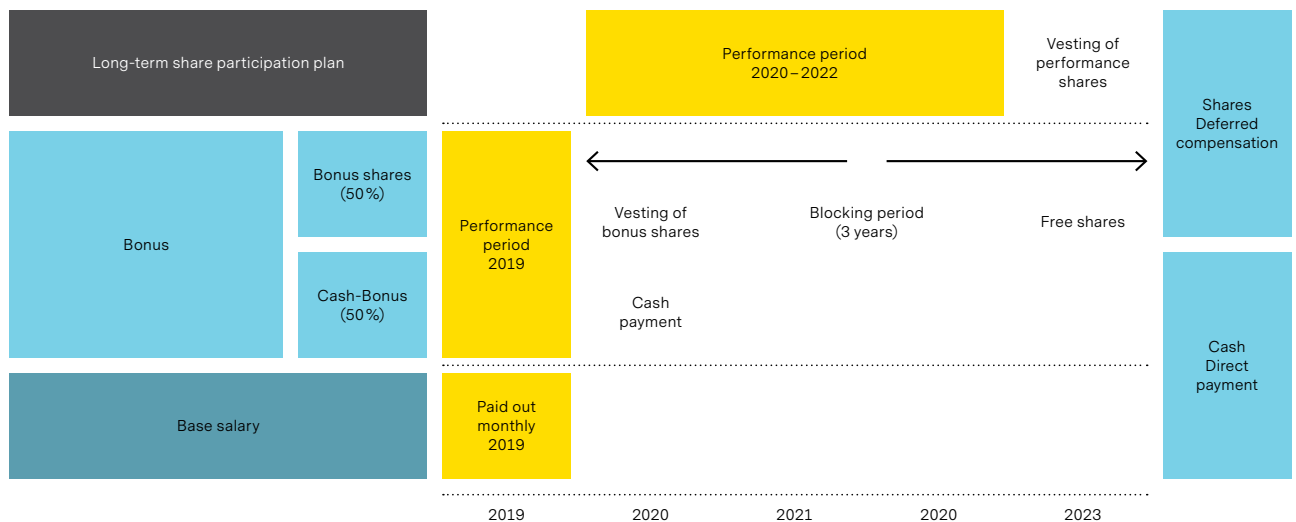
- Performance of each member of the Executive Board
- Financial performance of Vontobel and the relevant division

- Performance measured in relation to the finance industry peer group
- Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
- Balanced distribution between groups of stakeholders

Vontobel does not use formula-based compensation for members of the Executive Board. The Board of Directors reaches the final decision about the compensation proposals for the General Meeting of Shareholders at its own discretion.

The compensation of the Executive Board consists of a fixed compensation component (annual base salary) and a variable compensation component (bonus and Long-Term Incentive Program). The fixed compensation component is determined on the basis of the individual function. The variable compensation component is determined on the basis of collective and also individual performance. This approach is designed to ensure that the compensation of the Executive Board is largely dependent on the achievement of ambitious performance objectives.

Overview of employee compensation components:



Roger Studer, Head of the Investment Banking division, was a member of the Executive Board until the end of 2019. Enrico Friz, General Counsel, has been a member of the Executive Board since January 1, 2020. This change in the Executive Board resulted in a lower amount for the vote on fixed compensation from July 1, 2020, and in a higher amount for the vote on performance-related compensation.

### **7.3 Maximum aggregate amount of the fixed compensation of the members of the Executive Board for the period from July 1, 2020, to June 30, 2021**

The base salary of members of the Executive Board forms the fixed compensation component. It is determined on the basis of the individual function of the respective member of the Executive Board. The level of the various base salaries is in line with our international peer group and is generally lower than the base salaries paid by our Swiss competitors.

In item 7.3 the Board of Directors proposes the approval of a maximum aggregate amount of the fixed compensation of the Executive Board for the period from July 1, 2020, to June 30, 2021, of CHF 5,699,000.

This proposal does not entail an increase in fixed salaries.

The proposed fixed aggregate compensation of the Executive Board includes the base salary as well as other compensation components (employer contributions to the pension fund and supplementary fund, family allowance payments, preferential conditions for mortgages, anniversary awards, and any other credited amounts or special payments) and a reserve. The amount being voted on does not include employer social security contributions.

### **7.4 Maximum aggregate amount of the performance-related compensation of the Executive Board for the prior financial year 2019 that has ended**

The performance-related compensation of a member of the Executive Board is based on the collective and individual achievement of quantitative and qualitative objectives. It is paid partly in cash, with the other half being paid in the form of so-called bonus shares. The bonus shares are allotted at an accepted value of 80% of the average price in the month of December of the prior year in which the bonus is paid out. These shares are blocked for three years from the date of vesting and may not be sold, pledged or transferred during that period.

If the company achieves a sustained good performance and its share price rises during the blocking period, the value of the bonus shares increases accordingly. However, if the share price falls, the bonus subsequently decreases – resulting in a dual financial loss for the member of the Executive Board, since taxes have already been paid on the basis of the higher share price. This model ensures that members of the Executive Board can participate in the successful performance of the company while also sharing the risks in the event of poor financial results.

If the employment relationship is terminated, bonus shares that have already been allotted remain in the ownership of the individual members of the Executive Board and continue to be subject to the blocking period, even after the period of employment has ended.

In item 7.4 the Board of Directors proposes the approval of a maximum aggregate amount of the performance-related compensation of the Executive Board for the prior financial year that has ended of CHF 12,000,000.

Vontobel intentionally holds a retrospective vote on the performance-related compensation of the Executive Board, i.e. voting is carried out at a point in time when the performance period has ended and the individual performance in the previous year can be assessed.

In 2019, Vontobel once again successfully shaped the changes in our industry according to the needs of our clients and the company. We will continue to follow this path. We are investing in our future, are focused on sustainable growth, and are committed to delivering profitability.

In the challenging environment in 2019, with strong competition and difficult financial markets, the Executive Board largely achieved or exceeded the financial objectives defined for the financial year. We are also well on track to deliver on our ambitious mid-term targets. The high level of trust that clients place in Vontobel and its successful positioning in the market are reflected by the strong net inflow of new money of CHF 11.7 billion, the pleasing growth in operating income of 9% to CHF 1,261.9 million, and a pleasing net profit of CHF 265.1 million. Compared to the IFRS net profit of CHF 232.2 million for 2018, the result for 2019 increased by 14%. Vontobel generated a return on equity of 14.2% for 2019, significantly above its current cost of capital of around 8%. We have thus slightly exceeded our mid-term target of 14%. Vontobel has maintained a comfortable equity position with a CET 1 capital ratio of 13.5% and a Tier 1 capital ratio of 19.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA.

The Executive Board far exceeded its strategic objectives in 2019. Considerable progress was achieved and Vontobel generated further growth in all core activities, as well as strengthening its market position in key target markets. The Executive Board consistently exceeded its qualitative objectives. For example, it further strengthened Vontobel's positioning in the market and vis-a-vis all stakeholders. A strong emphasis was placed on client focus.

With the realignment that was implemented at the end of 2019, Vontobel is creating the necessary organizational basis to allow us to better anticipate changes in client expectations and client behavior and to respond to them more flexibly in the future. Vontobel's evolution into a client-centric investment manager that harnesses the power of technology for the benefit of its clients is the logical next step based on our value proposition "Driven by the power of possibility. Delivering the edge."

The proposed aggregate performance-related compensation of the Executive Board is 3.5% higher than in the previous year, reflecting the successful performance of the business. This increase is smaller than the growth in profit of 14%, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders.

The variable bonus awarded to members of the Executive Board based on an evaluation of their achievement of individual objectives was, on average, 2.79 times their base salary (previous year: 3.12).

#### **7.5 Maximum aggregate amount for the performance shares of the Executive Board pursuant to Art. 31 para. 1 let. e of the Articles of Association**

To incentivize employees over time, Vontobel pays part of its compensation in the form of a long-term incentive component (Long-Term Incentive Program, LTI). This component is paid in the form of registered shares of Vontobel Holding AG (performance shares) and is designed to promote loyalty to the company.

Three years after receiving bonus shares, members of the Executive Board are entitled to receive additional shares, known as performance shares (LTI), if vesting conditions are met. This right depends on the performance of the business over the last three years, hence the name "performance shares", as well as on the number of bonus shares received.

When determining the performance of the business, Vontobel's average return on equity (ROE) and average risk profile (BIS Total Capital Ratio) are taken into account. The multiplier resulting from these two parameters is defined using the average over the relevant performance period (the last three years or the last six half-year values) and, in the case of the Executive Board, is subject to a cap of a maximum of 250% of the bonus shares received three years earlier. This ensures that the achievement of a high return on equity in combination with a low risk profile is rewarded more generously than the achievement of a high return on equity in combination with a high risk profile. One condition for the vesting of performance shares is that an average Group-wide return on equity of at least 4% is generated over the relevant three-year period. In addition, the BIS Total Capital Ratio must exceed 12%. If one of these requirements is not met, all rights to performance shares lapse.

Performance shares are only awarded to members of the Executive Board who remain in an employment relationship on which notice has not been served three years after they received the bonus shares. In this way, performance shares also play an important part in ensuring that the Executive Board is focused on the stable and successful development of Vontobel over the long term and in promoting loyalty to the company.

In item 7.5 the Board of Directors proposes the approval of a maximum aggregate amount for the performance shares of the Executive Board pursuant to Art. 31 para. 1 let. e of the Articles of Association of CHF 8,693,986.

This item relates to a budget for performance shares from the bonus for the financial year 2019, which may be allotted to members of the Executive Board in the financial year 2023. This figure is based on the following assumptions: If the average return on equity (ROE) is assumed to be 13.0% and the average BIS ratio is assumed to be 20% in the financial years 2020 to 2022, an additional 130% (multiplier of 1.3) of the number of bonus shares from the bonus 2019 would be allotted as performance shares in spring 2023. If the approved aggregate amount was not sufficient to cover the full entitlement to performance shares, the General Meeting of Shareholders would vote again on any additional amount.

#### **7.6 Additional amount for the performance shares of the Executive Board pursuant to Art. 31 para. 1 let. e of the Articles of Association**

The Board of Directors proposes the approval of an additional amount for the performance shares of the Executive Board pursuant to Art. 31 para. 1 let. e of the Articles of Association of CHF 347,271. These performance shares relate to the bonus shares for the year 2016 (approved by the General Meeting of Shareholders 2017) and will vest in 2020.

The proposed additional amount is related to bonus shares for the year 2016, which were approved at the General Meeting of Shareholders 2017. During the three-year holding period from 2017 to 2019, these bonus shares gave rise to performance shares that will vest in 2020 in connection with the Long-Term Incentive Program.

It is necessary to vote on this additional amount because the increase in Vontobel's share price and the growth in profit in the years 2017 to 2019 significantly exceeded expectations at the time (share price increase of 21%). This performance benefits all shareholders. The growth in profitability in recent years resulted in a pleasing increase in the return on equity in the 2017 to 2019 performance period. The average return on equity was 13.4% and the average BIS Total Capital Ratio was solid at 19%. The multiplier for the performance shares from the 2016 bonus, which will vest in spring 2020, is therefore 112%.

The General Meeting of Shareholders 2017 approved a budget of CHF 8,815,865 for the performance shares of the Executive Board. The current value of the performance shares is CHF 9,163,136. The proposed additional amount represents the difference between the two amounts.

Detailed information can be found in the Compensation Report 2019 of Vontobel Holding AG at [www.vontobel.com/compensation-report](http://www.vontobel.com/compensation-report)

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